

Decision **PROPOSED DECISION OF ALJ LeQUANG** (Mailed 5/29/2026)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$13,758,500 or 13.2 percent in July 2026, \$4,535,700 or 3.8 percent in July 2027, and \$4,867,900 or 4.0 percent in July 2028, and in its Fontana Water Company division by \$12,335,200 or 12.7 percent in July 2026, \$4,368,100 or 3.9 percent in July 2027, and \$4,467,900 or 3.9 percent in July 2028, and related relief.

Application 25-01-001

**DECISION RESOLVING SAN GABRIEL VALLEY WATER COMPANY'S GENERAL RATE INCREASE FOR 2026-2028**

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**DECISION RESOLVING SAN GABRIEL VALLEY WATER  
COMPANY'S GENERAL RATE INCREASE FOR 2026-2028**

**Summary**

This decision resolves the San Gabriel Valley Water Company (San Gabriel) general rate case for Fiscal Test Year (TY) 2026. This decision authorizes a general increase in rates charged by San Gabriel for water services in its Los Angeles County (LAC) Division and in its Fontana Water Company (FWC) Division, effective beginning July 1, 2026.

San Gabriel is authorized to collect revenue requirement increases in its LAC Division as follows:

- a) \$7,727,164 or 7.4 percent in the test year 2026-2027,
- b) \$2,923,176 or 2.6 percent in escalation year 2027-2028, and
- c) \$2,918,651 or 2.6 percent in escalation year 2028-2029.

San Gabriel is authorized to collect revenue requirement increases in its FWC Division as follows:

- a) \$7,345,518 or 7.5 percent in the test year 2026-2027,
- b) \$3,809,461 or 3.6 percent in escalation year 2027-2028, and
- c) \$3,398,825 or 3.3 percent in escalation year 2028-2029.

The adopted revenue requirements incorporate: (1) approval of uncontested issues and (2) disposition of contested issues as discussed below.

We find the revenue requirements noted above and resulting rate increases to be just and reasonable in accordance with Public Utilities Code Section 451, and so we adopt them. We also find that San Gabriel's water quality meets all applicable state and federal drinking water standards and the provisions of General Order 103.

A residential customer with a meter size of 5/8 x 3/4" will see the following increase in rates per month:

**Table 1**

	LA			Fontana		
Present Rates	\$81.06			\$84.01		
2026-2027 (\$)	\$87.95	\$6.89	8.5%	\$90.32	\$6.31	7.5%
2027-2028 (\$)	\$90.42	\$2.47	2.8%	\$94.60	\$3.28	3.6%
2028-2029 (\$)	\$92.91	\$2.50	2.8%	\$96.51	\$2.91	3.1%
Total Increase		\$11.85	14.6%		\$12.95	14.9%

We carefully examined whether the decision is consistent with the Commission’s Environmental and Social Justice (ESJ) Action Plan, including the extent to which increased rate charges may impact the achievement of the ESJ goals.

Based upon the rate design measures we adopt, as discussed below, we conclude that there will be no adverse impact on the achievement of ESJ goals in that regard.

Application 25-01-001 is closed.

## 1. Background

The California Public Utilities Commission (Commission) regulates water service provided by Class A water utilities<sup>1</sup> pursuant to Article XII of the California Constitution and the Public Utilities (Pub. Util.) Code. For Class A water utilities, Pub. Util. Code Section 455.2, as implemented in Decision (D.) 04-06-018 and updated in D.07-05-062, provides for a General Rate Case (GRC) proceeding every three years. San Gabriel Valley Water Company (San Gabriel) is a Class A water utility that provides water service in the counties of Los Angeles and San Bernardino through two operating divisions and a General Office Division. The Los Angeles County (LAC) Division serves approximately 51,296 customers. The Fontana Water Company (FWC) Division serves

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<sup>1</sup> A Class A utility is defined as an investor-owned water utility with over 10,000 service connections.

approximately 48,375 customers in San Bernardino County. San Gabriel's General Division provides services common to LAC and FWC Divisions, the costs of which are allocated to each division.

San Gabriel originally proposed to increase water service rates in its LAC Division by \$13,758,500 or 13.2 percent in July 2026; \$4,535,700 or 3.8 percent in July 2027; and \$4,867,900 or 4.0 percent in July 2028. In its FWC Division, San Gabriel proposed to increase water service rates by \$12,335,200 or 12.7 percent in July 2026; \$4,368,100 or 3.9 percent in July 2027; and \$4,467,900 or 3.9 percent in July 2028.

## **2. Procedural Background**

On January 2, 2025, San Gabriel filed its GRC Application (A.) 25-01-001 with the Commission, requesting rate increases for Test Year 2026-2027 and Escalation Years 2027-2028 and 2028-2029, and for authority to make accounting changes. On February 7, 2025, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a protest (Protest). On the same date, San Gabriel filed a reply to the Protest. On April 10, 2025, the Commission held a virtual Webex prehearing conference.

On July 8, 2025, the Commission held two remote public participation hearings following notice to San Gabriel's customers, which included presentations by San Gabriel and Cal Advocates. On July 9, 2025, the Commission held two additional in-person public participation hearings following notice to San Gabriel's customers, which included presentations by San Gabriel and Cal Advocates. On July 14, 2025, the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued.

On October 13 and 14, 2025, the Commission held evidentiary hearings. On October 24, 2025, the Parties filed a Joint Statement Providing Common Briefing Outline on Contested Issues and List of Uncontested Issues (Joint Statement). On

November 17, 2025, the Parties filed and served Opening briefs. On December 12, 2025, the Parties filed and served Reply briefs.

This proceeding was submitted on December 12, 2025.

### **3. Legal Principles**

In reviewing the above issues and, as necessary in adopting a just and reasonable revenue requirement, the Commission considers and applies its prior decisions and considers long-established general practices as appropriate to the facts and circumstances presented in this proceeding. Below is an overview of the applicable legal principles.

#### **3.1. Just and Reasonable Rates**

Pub. Util. Code Section 451 provides that “all charges demanded or received by any public utility ... shall be just and reasonable.” Pub. Util. Code Section 454(a) requires that “... a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.”

#### **3.2. Used and Useful Principle**

Pursuant to the “used and useful” principle, ratepayers should only be required to bear reasonable costs of those projects that provide direct and ongoing benefits or are used and useful in providing adequate and reasonable service to the ratepayers.<sup>2</sup> The general rule held by Courts is that expenditure for an item may be included in a public utility’s rate base only when the item is “used and useful” in providing service; that is, current ratepayers should bear only legitimate costs of providing service to them.<sup>3</sup> Therefore, it would be unreasonable to require current

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<sup>2</sup> D.24-03-042 at 30.

<sup>3</sup> *Id.*

ratepayers to bear the costs of projects that provide no current benefit and are not expected to provide benefits to ratepayers during the current GRC period.<sup>4</sup>

#### **4. Uncontested Issues and Resolved Matters**

On October 24, 2025, San Gabriel and Cal Advocates filed a Joint Statement Providing a Common Briefing Outline on Contested Issues and List of Uncontested Issues. Attachment B to the Joint Statement lists the uncontested issues.<sup>5</sup> With respect to individual uncontested issues, we find that San Gabriel has made a *prima facie* just and reasonable showing and approve San Gabriel uncontested proposals. We find the stipulations for each of the issues listed in the Joint Statement Attachment B to be reasonable and adopt the stipulations.

##### **4.1. Contested Issues**

Most of San Gabriel's proposals and forecasts are contested by Cal Advocates. A discussion of the contested issues follows.

#### **5. Purchased Water and Assessments**

##### **5.1. Main San Gabriel Basin Operating Safe Yield**

San Gabriel's forecast for the Main San Gabriel Basin (MSGB) Operating Safe Yield (OSY)<sup>6</sup> is 140,000 acre-feet (AF).<sup>7</sup> San Gabriel's forecast is derived from the MSGB's Watermaster's OSY projections for future years 2026-2030, or column E in

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<sup>4</sup> *Id.*

<sup>5</sup> Joint Statement, Attachment B. Note, the decision includes the Customer Assistance Program (CAP) Discount and Surcharges as an uncontested issue because Cal Advocates does not oppose San Gabriel's proposal to increase the CAP assistance from \$10.35 to \$12.00 per month in both LACD and FWCD. (See, Cal Advocates' Opening Brief at 75.)

<sup>6</sup> OSY is a figure set by the MSGB Watermaster. The MSGB Watermaster is an organization that manages groundwater rights, quality and replenishment in the San Gabriel Valley. The Watermaster issues a resolution setting the OSY. This is typically set for a five-year period, but an update can be issued changing the OSY at any time.

<sup>7</sup> San Gabriel's Opening Brief at 7.

the Table 2 below.<sup>8</sup> At the time of the Application, the Watermaster's final determination for current year 2024/2025 OSY was 160,000 AF<sup>9</sup> or column C below and 140,000 AF or column E below.<sup>10</sup> San Gabriel contends that historic OSY data from the early 1970s reveals that it is not uncommon for the OSY to decline by 20,000 to 30,000 AF in a single year.<sup>11</sup> In addition, San Gabriel argues that Cal Advocates' forecast is based on one anomalous year.<sup>12</sup>

Cal Advocates recommends that the Commission adopt the 2024/2025 OSY of 160,000 AF for the GRC period, asserting that doing so would save the ratepayers \$1.74 million in TY 2026.<sup>13</sup> According to Cal Advocates, the Watermaster's (WM) future determinations have consistently been set lower than the final OSY determination for the current year.<sup>14</sup> To illustrate the consistent difference between the current year and future year OSY determinations, Cal Advocates included the following table:<sup>15</sup>

Table 2

(A)	(B)	(C)	(D)	(E)
WM Resolution	OSY Final Determinations for Current Year (Became Effective)	OSY (AF)	OSY Determinations for Future Years (Subject to Revision)	OSY (AF)
May 2022	2022-2023	150,000	2023-2024 through 2026-2027	130,000

<sup>8</sup> San Gabriel's Opening Brief at 6.

<sup>9</sup> Resolution No. 05-24-321 issued on May 1, 2024, set an OSY of 160,000 AF for 2024/2025.

<sup>10</sup> Exhibit Cal Adv-10 at 17.

<sup>11</sup> San Gabriel's Opening Brief at 6.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 4.

<sup>14</sup> *Id.* at 5.

<sup>15</sup> *Id.*

May 2023	2023-2024	150,000	2024-2025 through 2027-2028	130,000
May 2024	2024-2025	160,000	2025-2026 through 2028-2029	140,000
May 2025	2025-2026	160,000	2026-2027 through 2029-2030	140,000

Cal Advocates argues that MSGB is a major source of less expensive water for ratepayers and that San Gabriel should strive to maximize the lowest cost of water supply.<sup>16</sup>

Based on the last four years, we find that the Watermaster's determinations for future years are consistently low. In 2022-2023 and 2023-2024, the Watermaster's determinations for future years' OSY were 130,000, but the Watermaster's final determinations were 150,000. In addition, in 2024-2025 and 2025-2026, the Watermaster's determinations for future years OSY were 140,000, but the Watermaster's final determinations were 160,000. This is a difference of approximately 20,000 AF, which represents a significant cost to the ratepayers. Therefore, we find that the Watermaster's final determinations for the current year are a more reliable indicator of OSY.

We find San Gabriel's argument relating to historic OSY data from the early 1970s unpersuasive because it ignores recent trends. Furthermore, we do not agree with San Gabriel's contention that Cal Advocates' recommendation of 160,000 AF is anomalous. The evidence establishes that the Watermaster's final determinations for the past 4 years have been 150,000 AF, 150,000 AF, 160,000 AF, and 160,000 AF. Based on this trend, it is probable that the final determination for 2026-2027 may be higher than 160,000 AF

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<sup>16</sup> *Id.* at 7.

Therefore, we find San Gabriel's forecast for the MSGB OSY is not just and reasonable. We adopt Cal Advocates' recommendation of 160,000 AF for the GRC period. Additionally, if the OSY from the Watermaster's final determination changes in future years, San Gabriel shall file a Tier 1 Advice Letter to the Commission.

## **5.2. MSGB Leases**

San Gabriel's forecast for pumped water volume from the leased water right for the MSGB is 4,000 AF.<sup>17</sup> San Gabriel's forecast is based on the average of the two lowest years of leases from the past five-years, which was 4,014 AF (rounded to 4,000 AF).<sup>18</sup> San Gabriel argues that this approach is reasonable because it properly accounts for the risk of availability, assuming future drought conditions will resume and the OSY will decline resulting in fewer water rights available for lease.<sup>19</sup>

Cal Advocates recommends that the Commission increase the forecast for the pumped water volume from the leased water right to 5,640.80 AF.<sup>20</sup> Cal Advocates' forecast for water lease is based on a five-year average.<sup>21</sup> Cal Advocates argues this approach is a more reasonable estimate because it provides a more accurate representation of San Gabriel's use of the leased right.<sup>22</sup> According to Cal Advocates, the average annual leased water volumes for fiscal years 2019 through 2024 (five-years) is 5,640.8 AF.<sup>23</sup> Cal Advocates contends that both Stenson Engineers<sup>24</sup> and the Watermaster have indicated above-average rainfall, with even more rainfall

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<sup>17</sup> San Gabriel's Opening Brief at 8.

<sup>18</sup> San Gabriel's Opening Brief at 7.

<sup>19</sup> *Id.*

<sup>20</sup> Cal Advocates' Opening Brief at 7.

<sup>21</sup> *Id.* at 8.

<sup>22</sup> *Id.*

<sup>23</sup> Exhibit Cal Adv-04 at 1-10.

<sup>24</sup> Exhibit SG-21 at 6. Stetson Engineers are the expert consultant firm used by the Watermaster to draft MSGB reports.

expected this winter.<sup>25</sup> In addition, Cal Advocates argues that San Gabriel has not provided any evidence of future drought conditions.<sup>26</sup>

We find that using a five-year average is a reasonable method for developing forecasts. A five-year average provides sufficient time to account for both high and low values, producing a balanced result that fairly reflects the interests of both the utility and ratepayers.

As in the preceding section, a party has selected a narrow period of time to produce a forecast that aligns with its own interests. San Gabriel's forecast is premised on the assumption that every adverse condition will occur. If San Gabriel's assumptions prove incorrect, if no drought materializes, and the OSY does not reduce the availability of rights for lease then the ratepayers would bear the resulting costs while San Gabriel would benefit financially. This approach improperly shifts risk to ratepayers, and we reject it. San Gabriel bears the burden of demonstrating, by a preponderance of the evidence, that its forecast is just and reasonable. It has not met that burden here.

Therefore, we find Cal Advocates' recommendation to use a five-year average to calculate the pumped water volume for leased water rights to be just and reasonable, and we adopt its forecast for pumped water volume from leased water rights in the MSGB of 5,640.80 AF.

### **5.3. Central Basin Metropolitan Water District Purchased Water**

San Gabriel's forecast for the water supply expenses for Central Basin is 289.9 AF.<sup>27</sup> San Gabriel contends that it may take months to years before Well M11A will be operational.<sup>28</sup> San Gabriel states that the completion process should factor in

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<sup>25</sup> Cal Advocates' Opening Brief at 10.

<sup>26</sup> *Id.*

<sup>27</sup> San Gabriel Opening Brief at 9.

<sup>28</sup> San Gabriel Opening Brief at 9.

potential construction delays, material availability, and a slow California State Water Resources Control Board (SWRCB), Department of Drinking Water (DDW) permitting process.<sup>29</sup>

Cal Advocates asks the Commission to disallow San Gabriel's forecast of water supply expense for Central Basin because Well M11A's water production will be used and useful in this GRC period.<sup>30</sup> According to Cal Advocates, Well M11A's water production will eliminate the need for more expensive purchased water from the Central Basin.<sup>31</sup> Cal Advocates states that San Gabriel is proposing a per- and polyfluoroalkyl substances (PFAS) treatment system for Well M11A with a scheduled completion year of 2026.<sup>32</sup> Cal Advocates contends that Well M11A will be completed in 2026, which eliminates the need for San Gabriel's forecast of water supply expense for the Central Basin.<sup>33</sup>

Here, San Gabriel's forecast rests on an unsupported premise that Well M11A's will encounter construction delays, material unavailability and a slow DDW permitting process. San Gabriel does not provide any evidence to support this contention. We find this argument to be unpersuasive as it places the burden of an unproven premise on ratepayers. We find this shift in risk to be improper and reject it.

In Section 8.5, San Gabriel and Cal Advocates agreed to include Plant M12 project in rate base which includes the reactivation of Well M11A. Reactivation of Well M11A would generate ground water to replace the more expensive purchased water at Central Basin.

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<sup>29</sup> *Id.*

<sup>30</sup> Cal Advocates' Opening Brief at 10-12.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at 11.

<sup>33</sup> *Id.*

Given that Well M11A is in rate base and will provide ground water at a lower expense, we deny San Gabriel's forecast of purchased water in the Central Basin because it is not just and reasonable.

#### **5.4. MSGB Water Rights Included in Water Supply Mix**

San Gabriel's forecast for a water supply mix<sup>34</sup> is 10.61 percent met by MSGB Water Rights.<sup>35</sup> San Gabriel states that in 2023, it acquired Main Basin Prescriptive water rights from Susan Andrade (8.26 AF) and William J. Knight Living Trust (227.88 AF) for a total of 236.24 AF, which increased its share to 10.61 percent.<sup>36</sup> San Gabriel contends that purchasing additional water rights when they become available benefits San Gabriel's customers in the long run by avoiding costly assessments.<sup>37</sup>

Cal Advocates recommends that the Commission decrease the water supply mix to 10.49 percent met by MSGB water rights because the 2023 acquisition of water rights is not cost-effective to ratepayers.<sup>38</sup> Cal Advocates bears the burden to produce evidence to support their position or raise a reasonable doubt as to the utility's request. Here, Cal Advocates fails to provide any evidence in support of their position and does not address San Gabriel's position. Cal Advocates' contention rests solely on the premise that a 10.49 percent water supply mix would be more cost-effective for ratepayers without any justification.

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<sup>34</sup> Water supply mix refers to the blend of various water sources including groundwater, surface water, imported water and recycled water used to improve reliability, manage costs and meet regulatory requirements.

<sup>35</sup> Cal Advocates' Opening Brief at 12.

<sup>36</sup> San Gabriel' Opening Brief at 10.

<sup>37</sup> *Id.*

<sup>38</sup> Cal Advocates' Opening Brief at 12.

We find that San Gabriel's forecast of 10.61 percent water supply mix is reasonable. Acquiring water rights enables the utility to secure water at a lower cost when needed, rather than incurring higher assessment charges. San Gabriel's effort to mitigate potential future cost increases under these circumstances is therefore found to be just and reasonable.

Therefore, we find San Gabriel's purchase of additional water rights to be just and reasonable and adopt San Gabriel's forecast of 10.61 percent for water supply mix.

### **5.5. Lytle Creek Surface and Groundwater Production**

San Gabriel's forecast for surface and groundwater production for Lytle Creek is 7,000 AF.<sup>39</sup> San Gabriel states that Cal Advocates' argument is based on an unusually wet period and that peak wet period rates occur during extended back-to-back years.<sup>40</sup> San Gabriel contends that the average of the dry years is a better indicator of surface and groundwater production.<sup>41</sup> San Gabriel provided the following table to show the surface and groundwater production and the years it took into consideration when determining the 7,000 AF proposal:<sup>42</sup>

Table 3

Fiscal Year	Lytle Creek AF Ground Water	Lytle Creek AF Surface Water	Total AF
2015/16	2,817.4	1,497.2	4,314.5
2016/17	3,257.6	3,229.7	6,487.3
2017/18	4,609.3	2,734.7	7,344.0
2018/19	5,816.1	2,503.3	8,319.4

<sup>39</sup> Cal Advocates' Opening Brief at 12.

<sup>40</sup> San Gabriel's Opening Brief at 13.

<sup>41</sup> Id.

<sup>42</sup> Id. at 14.

2019/20	5,628.1	4,957.1	10,585.2
2020/21	6,442.6	5,032.6	11,475.2
2021/22	6,556.3	2,006.7	8,563.0
2022/23	7,794.4	4,255.4	12,049.8
2023/24	7,404.1	12,346.4	19,750.4
2024/25	9,453.2	11,435.9	20,889.1
Average	5,977.9	4,999.9	10,977.8
Dry Year Average	4,611.3	2,394.3	7,005.6

Cal Advocates recommends that the Commission adopt a forecast for surface and groundwater production of 11,266 AF.<sup>43</sup> Cal Advocates proposes that the Commission use a five-year average to determine surface and groundwater production.<sup>44</sup> According to Cal Advocates, a five-year average is a more reasonable estimate for water supplies as it provides a more accurate representation of San Gabriel's water use.<sup>45</sup> Cal Advocates contends that an increase in lower-cost Lytle Creek water supplies reduces expenses by minimizing the higher cost Central Basin replenishment and purchased water supplies.<sup>46</sup> In addition, Cal Advocates claims that its recommendation would reduce the Test Year customer rates by \$2,514,719.

Here, we find San Gabriel's forecast of 7,000 acre-feet to be flawed because it relies on outdated historical data and disregards more recent trends. The forecast is premised on the assumption that future drought conditions will occur and will significantly reduce both surface and groundwater production. San Gabriel offers no technical evidence to substantiate this assumption. San Gabriel's position is

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<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 13.

unpersuasive as it ignores the more recent trends in surface and groundwater production.

Based on the table provided by San Gabriel, the ten-year average for surface and ground water production is 10,977.8 AF, which closely aligns with Cal Advocates' recommendation. A closer review will show that the five-year average is 14,545.5 AF  $(11,475.2 + 8,563 + 12,049.8 + 19,750.4 + 20,889.1 / 5)$ . After comparing the ten-year and five-year averages, we find that Cal Advocates' recommendation is a fair compromise and a reasonable forecast of Lytle Creek's surface and groundwater production.

Therefore, we adopt Cal Advocates' recommendation for surface and groundwater production of 11,266 AF.

#### **5.6. Rialto and No-Man's Basin Groundwater Production**

San Gabriel's forecast for groundwater production for Rialto and No-Man's Basin is 4,810 AF.<sup>47</sup> San Gabriel contends that using a five-year average is unreasonable because water rights are only available on an annual water year basis (October 1<sup>st</sup> through September 30) of each year.<sup>48</sup> San Gabriel states that Rialto Basin groundwater levels have been steadily declining since 2002.<sup>49</sup> San Gabriel argues that in May 2025, the Rialto Basin reached a historic low of 51.7 feet below the Rialto Degree benchmark.<sup>50</sup> San Gabriel argues that Rialto Basin Groundwater Council and other authorities' efforts to increase water levels in the basin have been delayed indefinitely due to groundwater contamination, regulatory concerns, lack of

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<sup>47</sup> San Gabriel's Opening Brief at 14.

<sup>48</sup> San Gabriel Opening Brief at 15.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

available recharge facilities, and unresolved issues with the County of San Bernardino Flood Control District.<sup>51</sup>

Cal Advocates recommends that the Commission adopt a forecast for groundwater production at Rialto and No-Man's Basin of 5,292 AF.<sup>52</sup> Cal Advocates proposes using a five-year average to estimate water supplies because it is more accurate and provides a better representation of San Gabriel's water use.<sup>53</sup> According to Cal Advocates, San Gabriel should maximize the lowest cost water supply because an increased forecast for the lower cost Rialto and No-Man's Land Basin reduces the forecasts for the higher cost Chino Basin replenishment and purchased water supplies.<sup>54</sup> According to Cal Advocates, by accepting its proposed adjustments to the Rialto and No-Man's Land forecast, customer rates will be reduced in the test year by \$316,168.<sup>55</sup>

Cal Advocates provided a table summarizing the five-year average groundwater production for the Rialto and No-Man's Land Basin from 2019 to 2023.<sup>56</sup> The table indicates that the five-year average over this five-year span is 5,292 AF.<sup>57</sup> It also shows that production in 2023 was the lowest of the five years, at approximately 4,700 AF.<sup>58</sup>

Here, we find San Gabriel's forecast to be flawed because it relies on historical data while disregarding more recent trends. As discussed in Sections 2.3 and 2.6, a five-year average is a just and reasonable approach because it captures both the

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<sup>51</sup> *Id.*

<sup>52</sup> Cal Advocates' Opening Brief at 14.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.* at 14-15.

<sup>55</sup> *Id.* at 15.

<sup>56</sup> Exhibit SG-13, Attachment E, Table 4.2.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

high and low values within a recent and representative period. The evidence shows that from 2019 through 2022, the Rialto and No-Man's Land Basin forecast exceeded 5,000 AF, with only 2023 reflecting a decrease to 4,700 AF. The average forecast for 2019–2023 is 5,292 AF, which is consistent with Cal Advocates' recommendation. We also agree with Cal Advocates' recommendation that purchasing more water from the lower cost Rialto and No-Man's Land Basin is in the ratepayers' interest.

Therefore, we find Cal Advocates' recommendation to use a five-year average to forecast Rialto and No-Man's Basin groundwater production to be just and reasonable, and we adopt Cal Advocates' recommendation of 5,292 AF for the Rialto and No-Man's Land Basin groundwater production.

## **6. Expenses**

### **6.1. Administrative Expense Transferred**

San Gabriel's forecast for Administrative Expense Transferred (AET) costs is based on its forecast for capital budget and adopts a capital overhead rate of 15 percent.<sup>59</sup> San Gabriel contends that Cal Advocates' recommendation excludes AET costs from its forecast of test year expenses, while assuming that San Gabriel will continue construction of the \$142,000,000 in utility infrastructure Cal Advocates seeks to disallow.<sup>60</sup> San Gabriel's forecast for AET is \$10,200,000 for the test year alone.<sup>61</sup> In addition, San Gabriel's forecast for capital budget is \$305,700,000 for the GRC period.<sup>62</sup> San Gabriel contends that it should be able to receive an AET amount that reflects San Gabriel's 15 percent overhead rate applied to the actual capital budgets adopted in this proceeding.<sup>63</sup>

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<sup>59</sup> San Gabriel's Opening Brief at 17.

<sup>60</sup> *Id.* at 18.

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 19.

Cal Advocates recommends that the Commission provide \$10,200,000 in credits for AET for the GRC period.<sup>64</sup> Cal Advocates agrees that a 15 percent capital overhead rate is reasonable.<sup>65</sup> Cal Advocates reaches its \$10,200,000 forecast by changing San Gabriel's forecast for capital budget to \$164,000,000.<sup>66</sup> Cal Advocates contends that San Gabriel's forecast for capital budget includes many unauthorized and unsupported projects that San Gabriel has failed to justify in this GRC.<sup>67</sup>

Here, Cal Advocates' calculations appear inaccurate, as the figures presented do not add up. Although Cal Advocates states that it accepts the 15 percent overhead rate, it does not correctly calculate the AET using its proposed capital budget of \$164,000,000, which would yield an AET credit of \$24,600,000. Cal Advocates fails to provide any justification for offering a lower amount. Cal Advocates did not produce evidence to support its position and raise a reasonable doubt as to the utility's request. We find Cal Advocates' argument unpersuasive because they failed to present sufficient evidence to support their position.

Therefore, we find San Gabriel's forecast for AET to be just and reasonable and adopt San Gabriel's position that the AET should reflect a 15 percent overhead rate applied to the capital budget that is adopted in this proceeding.

## **6.2. Regulatory Commission Expense**

San Gabriel's forecast for regulatory expense is \$229,769 for LAC and \$227,613 FWC Divisions.<sup>68</sup> San Gabriel contends that an adjusted five-year average is unreasonable because its last GRC was settled and, as a result, San Gabriel did not have to spend as much on regulatory commission expense.<sup>69</sup> San Gabriel argues

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<sup>64</sup> Cal Advocates' Opening Brief at 18.

<sup>65</sup> Cal Advocates' Opening Brief at 18.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> San Gabriel's Opening Brief at 19.

<sup>69</sup> San Gabriel's Opening Brief at 19-20.

that Cal Advocates' more adversarial stance in this GRC and its positions foreshadow increased litigation expense in future proceedings. As a result, San Gabriel's forecast regulatory commission expense that presumes there will be a need to fully litigate future proceedings.<sup>70</sup> San Gabriel states that since it does not know if the 2028 GRC will settle it is reasonable to assume that the 2028 GRC will be litigated.<sup>71</sup> San Gabriel contends that future regulatory expense should be based on the costs incurred in the current GRC, which it acknowledges is an outlier from previous GRCs which were resolved through settlement and therefore required less forecasted expense.<sup>72</sup>

Cal Advocates asks the Commission to adopt a regulatory expense of \$137,159 for LAC and \$166,925 for FWC Divisions.<sup>73</sup> Cal Advocates contends that an inflation adjusted five-year average represents the most reasonable basis for forecasting regulatory expenses.<sup>74</sup> Cal Advocates did not address San Gabriel's contention that future GRCs will likely be fully litigated by Cal Advocates.

To ensure fairness and consistency to the public, the Commission agrees with Cal Advocates that an inflated adjusted five-year average is the most reasonable basis for forecasting regulatory expense. San Gabriel's contention is unsupported by evidence and unpersuasive as it is based on an outlier GRC that is litigious. Allowing San Gabriel to base its regulatory expense on an outlier GRC would be unreasonable to ratepayers as it assumes that future GRCs will not be settled.

Therefore, we find that using an adjusted five-year average to forecast regulatory commission expense to be just and reasonable and adopt Cal Advocates'

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<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

<sup>72</sup> San Gabriel's Reply Brief at 15.

<sup>73</sup> Cal Advocates' Opening Brief at 22-23.

<sup>74</sup> *Id.*

recommendation for regulatory expense of \$137,159 for LAC and \$166,925 for FWC Divisions.

### **6.3. Miscellaneous Expense – Conservation Program Expense**

San Gabriel's forecast for the Conservation Program Expense is \$800,000 for LAC and \$800,000 for FWC Divisions.<sup>75</sup> San Gabriel contends that new legislation imposing water use objectives and conservation regulations will likely continue to increase conservation program costs.<sup>76</sup> San Gabriel states that a five-year average does not account for conservation program expenditures that will occur during the remaining three-year budget period ending in June 2026. In addition, San Gabriel contends that Cal Advocates' recommendation would risk underfunding programs critical to meeting state-mandated goals.

Cal Advocates recommends that the Commission adopt a forecast of \$548,920 for LAC and \$552,801 for FWC Divisions.<sup>77</sup> Cal Advocates states that the conservation programs consist of materials and supplies, outside services, dues and subscriptions, and miscellaneous.<sup>78</sup> Cal Advocates contends that historical expenditures are a reasonable estimate because San Gabriel's programs are consistent with what San Gabriel did in prior GRCs.<sup>79</sup> Cal Advocates provided a table of San Gabriel's inflation-adjusted five-year average:<sup>80</sup>

Table 4

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<sup>75</sup> San Gabriel's Opening Brief at 20-21.

<sup>76</sup> San Gabriel's Opening Brief at 21. In Exhibit SG-9, San Gabriel cites to regulations from State Water Resource Control Board, CPUC and past Governor's Executive Orders. San Gabriel fails to cite any specific new legislation.

<sup>77</sup> Cal Advocates' Opening Brief at 23.

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> *Id.* at 25.

Expense Account	Five-year average	San Gabriel forecast
Materials and Supplies	\$412,634	N/A
Outside Services	\$91,445	N/A
Dues and Subscriptions	\$1,576	N/A
Miscellaneous	\$19,092	N/A
Combined Budget	\$524,747	\$800,000

Here, San Gabriel forecasts \$1,600,000 in conservation program expenses for the LAC and FWC Divisions, despite operating similar programs in prior GRC periods for less. San Gabriel bears the burden of demonstrating that this increased level of funding is necessary, and it has not met that burden. San Gabriel fails to provide sufficient evidence indicating that San Gabriel's existing conservation programs are insufficient to comply with recently enacted water use objectives or conservation regulations.

Therefore, we find Cal Advocate's use of historical expenditures as a reasonable estimate to forecast Conservation Program expense as just and reasonable and adopt Conservation Program Expense of \$548,920 for LAC and \$552,801 for FWC Divisions.

## **7. Technology Upgrades, Payroll, Plants**

### **7.1. Pumping Equipment/ SCADA Master Plan**

San Gabriel proposes that \$13,375,000 for pumping equipment and the Supervisor Control and Data Acquisition (SCADA) Master Plan be included in the rate base.<sup>81</sup> San Gabriel states that the SCADA Master Plan arises directly from the federally mandated risk and resilience assessments under the America's Water

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<sup>81</sup> Cal Advocates' Opening Brief at 51.

Infrastructure Act of 2018 (AWIA).<sup>82</sup> San Gabriel states that it is increasing investments each year from 2025 to 2028, totaling \$7,205,000 over the four-year period.<sup>83</sup> According to San Gabriel, the cost estimates for the SCADA Master Plan include site-by-site cost estimates along with a detailed and transparent implementation schedule for 61 specific projects in the FWC Division over an eight-year implementation period and 53 specific projects in the LAC Division over a seven-year implementation period.<sup>84</sup>

San Gabriel states that cybersecurity is an important part of the SCADA Master Plan.<sup>85</sup> San Gabriel details how it would manage cybersecurity threats and vulnerabilities in Exhibit SG-18.<sup>86</sup> San Gabriel states that it reviewed offers from five Programmable Logic Controllers (PLC).<sup>87</sup> After reviewing the offers, it chose Tesco because its PLC is Tesco's software, which is proprietary.<sup>88</sup>

Cal Advocates urges the Commission to deny inclusion of the pumping equipment and the SCADA Master Plan in the rate base.<sup>89</sup> Cal Advocates contends that San Gabriel has not met its burden to provide a complete, accurate, and transparent cost estimate to ratepayers and the Commission.<sup>90</sup> Cal Advocates argues that San Gabriel added an unjustified 30 percent cost contingency for its SCADA budget proposal.<sup>91</sup> Cal Advocates states that San Gabriel has not selected a

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<sup>82</sup> San Gabriel's Opening Brief at 67.

<sup>83</sup> *Id.*

<sup>84</sup> *Id.* at 68.

<sup>85</sup> Exhibit SG-18 Confidential.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> Cal Advocates' Opening Brief at 51.

<sup>91</sup> *Id.*

key vendor and has failed to demonstrate the selection of a competitive bid for another key component.<sup>92</sup> According to Cal Advocates, San Gabriel plans to retire numerous SCADA components before the end of their useful service life without explanation.<sup>93</sup>

Here, San Gabriel includes multiple capital projects within its SCADA Master Plan. After reviewing Exhibit SG-18, we deny the cybersecurity system update at this time, but San Gabriel may submit a Tier 2 Advice Letter when the projects are used and useful. San Gabriel's cyber security upgrade budget shall not exceed \$7,205,000 and San Gabriel shall provide work papers justifying the costs of the cybersecurity upgrade.

In addition, we do not adopt San Gabriel's broader Master Plan, which proposes 61 specific projects in the FWC Division over an eight-year implementation period and 53 specific projects in the LAC Division over a seven-year implementation period. Instead, San Gabriel may file for the inclusion of these projects into the rate base in the next application once the projects are used and useful.

Therefore, we find that the SCADA Master Plan will not be used and useful in this GRC period and adopt Cal Advocates' recommendation to deny inclusion of the SCADA Master Plan into the rate base.

## **7.2. Payroll – New Positions**

San Gabriel proposes the following eleven positions: 1) one Water Resources Project Manager; 2) one Water Resources Analyst; 3) one Water Quality Specialist; 4) one Facilities Maintenance Supervisor; 5) two SCADA Technicians; 6) two Electricians; 7) one Procurement Supervisor; 8) one Surveyor; and 9) one Planning

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<sup>92</sup> *Id.*

<sup>93</sup> *Id.*

Manager.<sup>94</sup> Cal Advocates recommends that the Commission instead deny all eleven of San Gabriel's new positions.<sup>95</sup>

### **7.2.1. Water Resources Project Manager**

San Gabriel proposes a total compensation of \$303,458 for a water resources project manager position. San Gabriel states that it reorganized and realigned oversight of its water resources department.<sup>96</sup> According to San Gabriel, all water resources management functions for both the LAC and FWC were consolidated.<sup>97</sup> In addition, grant administration, various operable unit programs, and project oversight were moved to water resources.<sup>98</sup> San Gabriel states that the LAC Division Water Treatment Superintendent was promoted to the newly created position of Water Resources Project Manager in June 2024.<sup>99</sup> According to San Gabriel, this position serves as the primary representative and liaison for the management and oversight of the Baldwin Park, South El Monte, Puente Valley, and Whittier Narrows operable units in the LAC Division and Mid-Valley Sanitary Landfill Clean-Up in the FWC Division.<sup>100</sup>

Cal Advocates recommends that the Commission deny inclusion of this position as an expense. Cal Advocates contends that San Gabriel has failed to meet its burden of proving the need for this position.<sup>101</sup> According to Cal Advocates, ratepayers should not be required to fund a new position when San Gabriel cannot

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<sup>94</sup> San Gabriel Opening Brief at 23.

<sup>95</sup> Cal Advocates' Opening Brief at 27.

<sup>96</sup> San Gabriel's Opening Brief at 23.

<sup>97</sup> *Id.* at 24.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> Cal Advocates' Opening Brief at 27.

demonstrate a need for the position.<sup>102</sup> Cal Advocates states that it requested data or documentation from San Gabriel to justify that the position is necessary and that deficiencies would occur in its absence.<sup>103</sup> According to Cal Advocates, San Gabriel was unable to provide data or documentation that justified the need for the position.<sup>104</sup>

The evidence contradicts Cal Advocates' contention that the position is unnecessary. The evidence demonstrates that the Water Resources Project Manager has oversight and responsibilities for both the LAC and FWC Divisions, thereby improving organizational effectiveness, which in turn benefits ratepayers. Cal Advocates further argues that a factor in approving new positions is whether a deficiency would occur in the absence of the position. While this consideration may be relevant in certain circumstances, Cal Advocates has provided no authority indicating that it is required or dispositive in this case.

Therefore, we find San Gabriel's proposal for a Water Resources Project Manager to be just and reasonable and adopt San Gabriel's forecast of \$303,458 for a Water Resources Project Manager position.

### **7.2.2. Water Resources Analyst**

San Gabriel proposes a total compensation of \$140,467 for a Water Resources Analyst position.<sup>105</sup> San Gabriel states that the additional analyst is necessary to support the Main and Central Basin groundwater administration, including supporting documentation for operable units, providing grant application/submittal packages, and administrative assistance.<sup>106</sup> According to San Gabriel, analyst

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<sup>102</sup> *Id.*

<sup>103</sup> *Id.*

<sup>104</sup> *Id.*

<sup>105</sup> Cal Advocates' Opening Brief at 28.

<sup>106</sup> San Gabriel's Opening Brief at 25-26.

support is needed to aid its Conservation Department in complying with the new Water Use Objective targets and related filing requirements starting in 2025.<sup>107</sup> San Gabriel states that it does not rely on outside consultants to perform the Water Resources Analyst duties.<sup>108</sup>

Cal Advocates recommends that the Commission deny inclusion of the Water Resources Analyst as an expense.<sup>109</sup> Cal Advocates contends that the Water Resources Analyst position is redundant and unnecessary.<sup>110</sup> According to Cal Advocates, San Gabriel's justification for the position is inconsistent and uncertain.<sup>111</sup> Cal Advocates states that the duties of the proposed position are currently being managed with existing staff and resources.<sup>112</sup> Cal Advocates contends that San Gabriel's projected expenses indicate continued use of outside consultants to perform the same duties.<sup>113</sup>

The evidence establishes that the Water Resources Analyst will provide essential support to San Gabriel's administrative functions by performing a range of necessary duties. Cal Advocates' opposition to this position mirrors its arguments regarding the Water Resources Project Manager. After reviewing Cal Advocates' contentions, we conclude that San Gabriel has provided sufficient evidence to justify the Water Resources Analyst position.

Therefore, we find San Gabriel's proposal for a Water Resources Analyst to be just and reasonable, and we adopt San Gabriel's forecast of \$140,467 for a Water Resources Analyst position.

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<sup>107</sup> *Id.*

<sup>108</sup> San Gabriel's Opening Brief at 26.

<sup>109</sup> *Id.*

<sup>110</sup> Cal Advocates' Opening Brief at 28.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

### 7.2.3. Water Quality Specialist

San Gabriel proposes a total compensation of \$140,467 for a Water Quality Specialist position.<sup>114</sup> San Gabriel states that regulatory compliance related to water quality monitoring and sampling continues to become more complex and demanding as new regulations evolve.<sup>115</sup> According to San Gabriel, the new position will support San Gabriel's Production and Treatment departments' ongoing bacteriological site sampling.<sup>116</sup> San Gabriel states that the position will protect against miscommunication and ensure focused attention to avoid future non-compliance and/or violations with scheduled sample collections.<sup>117</sup> San Gabriel asserts that less than \$10,000, or a small portion of the referenced outside service costs, were associated with outside services for water quality testing.<sup>118</sup> According to San Gabriel, this sampling effort accounts for only a small fraction of the overall samples required to be collected and does not include additional sampling effort associated with the commissioning of new plant additions, including PFAS treatment facilities, UV systems, and additional well projects.<sup>119</sup>

Cal Advocates contends that the position is redundant and should be denied because the position's responsibilities are currently being managed by existing staff and outside consultants.<sup>120</sup> Cal Advocates argues that ratepayers should not be required to fund a position when San Gabriel has not shown that the duties cannot continue to be met with current resources.<sup>121</sup> Cal Advocates contends that

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<sup>114</sup> Cal Advocates' Opening Brief at 29.

<sup>115</sup> San Gabriel's Opening Brief at 27.

<sup>116</sup> *Id* at 28.

<sup>117</sup> *Id*.

<sup>118</sup> *Id*.

<sup>119</sup> *Id*.

<sup>120</sup> Cal Advocates' Opening Brief at 29.

<sup>121</sup> *Id*.

approving this position and San Gabriel's proposed outside service budget would result in ratepayers paying twice for the same work.

The evidence establishes that the position will support San Gabriel's Production and Treatment departments' ongoing bacteriological site sampling, among other things. Cal Advocates' position that the requested position is duplicative of work done by existing staff and outside consultants is rebutted by evidence that establishes that only a small portion is associated with outside consultants.

Therefore, we find San Gabriel's proposal for a Water Quality Specialist to be just and reasonable, and we adopt San Gabriel's forecast of \$140,467 for a Water Quality Specialist position.

#### **7.2.4. Facilities Maintenance Supervisor**

San Gabriel proposes a total compensation of \$146,839 for a Facilities Maintenance Supervisor position.<sup>122</sup> San Gabriel states that the San Gabriel LAC Division Facility Maintenance department currently includes (1) Facilities Maintenance Superintendent, (3) Facilities Maintenance Technician II positions, and (4) Facilities Maintenance Technicians I positions.<sup>123</sup> According to San Gabriel, this department has not increased staffing since 2004, even though there has been substantial growth resulting in increases in the structures, plants, and owned parcels that the department manages.<sup>124</sup> San Gabriel admits that it promoted the then Facilities Maintenance Supervisor to Superintendent in July 2024, because it needed a Superintendent-level individual to complete required administrative responsibilities in that department.<sup>125</sup> San Gabriel contends that it needs to re-staff

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<sup>122</sup> *Id.* at 30.

<sup>123</sup> San Gabriel's Opening Brief at 29.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

the Facilities Maintenance Supervisor position in this GRC to meet the significant demand on this department.<sup>126</sup>

Cal Advocates recommends that the Commission instead deny inclusion of the position as an expense.<sup>127</sup> Cal Advocates states that the Facilities Maintenance Supervisor was promoted to Facilities Maintenance Superintendent, leaving the Supervisor position vacant.<sup>128</sup> Cal Advocates contends that San Gabriel failed to demonstrate why two levels of management are needed to oversee the same number of employees and assets.<sup>129</sup>

Here, San Gabriel has created two management positions, the Facilities Maintenance Supervisor and the Facilities Maintenance Superintendent, who oversees seven technicians. San Gabriel states that the Superintendent position in the department was created to complete the required administrative responsibilities. San Gabriel has not provided any evidence to suggest that the Superintendent cannot perform the same duties as the Facilities Maintenance Supervisor. In addition, San Gabriel does not provide sufficient evidence to support the idea that there needs to be two levels of management.<sup>130</sup> We find San Gabriel's argument for the Facilities Maintenance Supervisor position to be unpersuasive.

Therefore, we deny inclusion of the Facilities Maintenance Supervisor position.

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<sup>126</sup> *Id.*

<sup>127</sup> *Id.*

<sup>128</sup> *Id.* at 29.

<sup>129</sup> *Id.*

<sup>130</sup><sup>130</sup> San Gabriel does not rebut Cal Advocates' argument that there is no need for two levels of management in San Gabriel's Reply Brief at 18-19.

### **7.2.5. SCADA Technicians and Electricians**

San Gabriel proposes a total compensation of \$587,355 for two SCADA Technician positions and two Electrician positions.<sup>131</sup> San Gabriel states that the two SCADA Technicians and Electricians will support its SCADA masterplan, which was completed in 2023.<sup>132</sup> San Gabriel describes the duties and responsibilities of the SCADA Technicians and Electricians in Exhibit SG-07.<sup>133</sup>

Cal Advocates contends that San Gabriel's SCADA budget estimates are incomplete, inaccurate, and should not be funded by ratepayers.<sup>134</sup> Cal Advocates states that ratepayers should not be burdened with the cost of an unjustified SCADA project.<sup>135</sup> Cal Advocates argues that the SCADA technicians should not be included because the SCADA upgrades are not justified.<sup>136</sup>

As discussed in Section 4.2, we approved the SCADA cybersecurity upgrades requested by San Gabriel. We have reviewed the duties and responsibilities of the SCADA Technicians and Electricians and find them relevant to the 53 SCADA projects in LACD and 61 projects in FWCD. There is no evidence that they would help San Gabriel with the cybersecurity systems upgrades.<sup>137</sup> In fact, the evidence establishes that Tesco would provide the cybersecurity systems upgrade as they are the proprietors of the current system at San Gabriel.

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<sup>131</sup> Cal Advocates' Opening Brief at 31.

<sup>132</sup> San Gabriel's Opening Brief at 32.

<sup>133</sup> Exhibit SG-07, Confidential Attachment N.

<sup>134</sup> Cal Advocates' Opening Brief at 31.

<sup>135</sup> *Id.*

<sup>136</sup> *Id.*

<sup>137</sup> San Gabriel's Reply Brief states that the SCADA Technicians would help support the current SCADA system and not the cybersecurity systems upgrade at 19. In addition, the SCADA Electricians would be used for Arc Flash Analysis, infrastructure improvements, and maintenance of safety systems, not cybersecurity systems upgrade at 20.

Therefore, we adopt Cal Advocates' recommendation to deny inclusion of the two SCADA Technician positions and two Electricians positions as expenses.

### **7.2.6. Procurement Supervisor**

San Gabriel proposes a total compensation of \$115,000 for a Procurement Supervisor position.<sup>138</sup> San Gabriel states that the position provides more supervision, support, and coverage for the department.<sup>139</sup> According to San Gabriel, there are significant challenges when the Warehouse Specialists are on vacation or taking personal leave.<sup>140</sup> San Gabriel states that currently, the Procurement Specialist steps in to cover the Warehouse Specialists when they are off. This diverts the Procurement Specialist from fulfilling the position's responsibilities and leaves the department vulnerable to setbacks.<sup>141</sup> San Gabriel contends that the lack of adequate backup personnel directly impacts its ability to ensure smooth operations during absences.<sup>142</sup>

Cal Advocates asks the Commission to deny inclusion of this position as an expense.<sup>143</sup> Cal Advocates contends that the Procurement Supervisor is a full-time position to solve a part-time intermittent coverage issue that is already being managed successfully with existing staff.<sup>144</sup>

Here, San Gabriel contends that the Procurement Supervisor would provide additional supervision, coverage, and support for the department, including filling in for Procurement Specialists during absences. We find San Gabriel's reason for the Procurement Supervisor to be insufficient. The evidence establishes that the

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<sup>138</sup> San Gabriel's Opening Brief at 31.

<sup>139</sup> *Id.* at 36.

<sup>140</sup> *Id.*

<sup>141</sup> *Id.*

<sup>142</sup> *Id.*

<sup>143</sup> *Id.*

<sup>144</sup> *Id.* at 32.

Procurement Supervisor would function essentially as a part-time role while receiving a full-time salary. In addition, San Gabriel's claim that the position would offer more supervision, coverage, and support implies that such functions already exist. San Gabriel has not provided sufficient evidence demonstrating that this position is necessary.<sup>145</sup>

Therefore, we deny inclusion of the Procurement Supervisor position.

### **7.2.7. Surveyor**

San Gabriel proposes a total compensation of \$90,000 for a surveyor position.<sup>146</sup> San Gabriel admits that the surveyor position was approved in the 2022 GRC, but it has not been filled.<sup>147</sup> According to San Gabriel, it has been actively seeking to fill the position and has interviewed numerous candidates.<sup>148</sup> San Gabriel states that applicants are either unqualified or that qualified candidates have not accepted its job offer.<sup>149</sup> San Gabriel contends that the job market is softening and hopes to fill the position soon.<sup>150</sup>

Cal Advocates recommends that the Commission deny inclusion of the Surveyor position as an expense.<sup>151</sup> Cal Advocates contends that the position was already approved and budgeted for in the 2022 GRC.<sup>152</sup> Cal Advocates states that it would be unfair for the ratepayers to pay twice.<sup>153</sup> According to Cal Advocates, San

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<sup>145</sup> San Gabriel did not provide any additional evidence or arguments in its Reply brief.

<sup>146</sup> Cal Advocates' Opening Brief at 32.

<sup>147</sup> San Gabriel's Opening Brief at 37.

<sup>148</sup> *Id.*

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> *Id.*

<sup>152</sup> *Id.*

<sup>153</sup> *Id.*

Gabriel currently uses an independent surveying firm to do the same duties as the proposed Surveyor position at a more cost-effective rate.<sup>154</sup>

Here, the Commission previously approved a surveyor position in the 2022 GRC. San Gabriel had three years to fill this position but failed to do so. San Gabriel claims that it could not find a qualified candidate or that qualified candidates accepted positions elsewhere. San Gabriel now states that it hopes to hire a surveyor during the current GRC period. We find that three years is enough time to fill a position and find San Gabriel's proposal unpersuasive.<sup>155</sup>

Therefore, we deny inclusion of the surveyor position.

#### **7.2.8. Planning Manager**

San Gabriel proposes a total compensation of \$209,476 for a Planning Manager position.<sup>156</sup> San Gabriel states that it has been a challenge to fill the Planning Manager position in a competitive job market but hopes to do so soon.<sup>157</sup> San Gabriel does not describe the Planning Manager position, what they are responsible for, why it is important to San Gabriel and how it benefits the ratepayers. Instead, San Gabriel cites to Exhibit SG-4 and SG-24 which provide little to no explanation.

Cal Advocates recommends that the Commission deny inclusion of this position as an expense.<sup>158</sup> Cal Advocates contends that the Planning Manager position has been vacant for over 20 months.<sup>159</sup> According to Cal Advocates, San Gabriel has spread the workload for this position among different engineering

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<sup>154</sup> *Id.*

<sup>155</sup> San Gabriel did not provide any additional arguments in its Reply brief.

<sup>156</sup> *Id.* at 33.

<sup>157</sup> San Gabriel's Opening Brief at 39.

<sup>158</sup> *Id.*

<sup>159</sup> *Id.* at 34.

department staff, including the Vice President of Engineering, the Director of Engineering, and the Design Manager.<sup>160</sup>

San Gabriel bears the burden of demonstrating the need for the Planning Manager position. San Gabriel has not provided a sufficient justification for this role. As the proponent, San Gabriel must show that the Planning Manager position is just and reasonable, yet it has offered no evidence to support its proposal.<sup>161</sup>

Therefore, we deny inclusion of the Planning Manager position.

### **7.3. Pensions and Benefits – Retiree Health Reimbursement Expense**

San Gabriel proposes \$725,000 for its proposed Test Year budget for contribution to the Retiree Health Reimbursement Arrangement (RHRA) plan.<sup>162</sup> San Gabriel's RHRA was approved by the Commission in San Gabriel's last GRC A.22-01-003 through the adoption of the settlement agreement approved in D.24-03-005.<sup>163</sup> San Gabriel's RHRA plan offers retirees a flexible, low-cost benefit to help them pay a portion of their qualified medical expenses that are not paid by Medicare and supplemental insurance.<sup>164</sup> San Gabriel argues that it must compete with other utility providers who provide generous post-retirement healthcare benefits to attract and retain qualified employees.<sup>165</sup>

Cal Advocates recommends that the Commission deny inclusion of the RHRA.<sup>166</sup> Cal Advocates contends that San Gabriel has failed to meet the specific justification requirements mandated by D.24-03-005, which approved the RHRA on

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<sup>160</sup> *Id.*

<sup>161</sup> San Gabriel did not provide any additional evidence or arguments in support of this position in its Reply brief.

<sup>162</sup> *Id.*

<sup>163</sup> *Id.* at 40.

<sup>164</sup> *Id.*

<sup>165</sup> *Id.*

<sup>166</sup> Cal Advocates' Opening Brief at 34.

a one-time basis.<sup>167</sup> Cal Advocates argues that San Gabriel failed to provide a cost-benefit analysis proving actual savings and offers no evidence that the benefit is necessary for recruitment and retention. Instead, Cal Advocates contends San Gabriel relies on an unsubstantiated and flawed correlation to workers' compensation costs.<sup>168</sup> Cal Advocates contends that San Gabriel must justify the cost of this program in the current GRC.<sup>169</sup>

According to D.24-03-005, the cost of the RHRA is subject to review in San Gabriel's next GRC, where San Gabriel will need to make specific justification for retaining the plan. D.24-03-005 is silent as to what specific justifications need to be met by San Gabriel. Cal Advocates contends that San Gabriel must 1) provide a cost-benefit analysis proving actual savings; and 2) offer evidence that the RHRA is necessary for recruitment and retention.

Here, the evidence establishes that the RHRA will benefit ratepayers by providing 1) Capped and predictable cost, RHRA averages \$3,350 per retiree annually, capped at \$5,000, far less than CalPERS retiree medical benefits; 2) Lower cost alternative to public agencies, San Gabriel ratepayers support only a capped reimbursement compared to taxpayers funding CalPERS; 3) Demonstrated results, employees over 65 declined from more than 10 percent of the workforce to 5.5 percent - improving succession planning and reducing stagnation; and 4) Risk reduction, helps prevent costly workers' compensation retirements by giving an alternative benefit.<sup>170</sup>

We find that San Gabriel's RHRA will assist the company in retaining and attracting employees by offering retirement benefits comparable to those of

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<sup>167</sup> Cal Advocates' Opening Brief at 34.

<sup>168</sup> *Id.* at 35.

<sup>169</sup> *Id.*

<sup>170</sup> *Id.* at 40-41.

competing utilities, while doing so at a lower cost to ratepayers. Cal Advocates' contention that the RHRA must produce direct cost savings for ratepayers is not supported by citation or authority, because D.24-03-005 did not establish such a requirement or define specific justifications to that effect.

Therefore, we find San Gabriel's proposal for RHRA to be just and reasonable. We adopt San Gabriel's forecast budget of \$725,000 for the RHRA.

#### **7.4. Pavement Replacement**

San Gabriel proposes that \$2,000,000 for pavement projects be included in the rate base.<sup>171</sup> San Gabriel contends that it would not be prudent to risk critical infrastructure damage to reservoirs, electrical panels, vaults, perimeter walls, etc., from something as simple as neglected paving that caused erosion and undermining.<sup>172</sup> According to San Gabriel, the budget was calculated using the necessary square footage to replace cracked and weathered asphalt around critical assets at numerous sites.<sup>173</sup> San Gabriel served thirty-six photos of cracked asphalt at various plants.<sup>174</sup>

Cal Advocates urges the Commission to deny the budget for pavement projects.<sup>175</sup> Cal Advocates contends that the damaged pavement depicted in the thirty-six photos does not indicate pavement that is beyond repair or patching rather than replacement.<sup>176</sup> According to Cal Advocates, San Gabriel failed to identify specific infrastructure at risk based on the pavement condition.<sup>177</sup>

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<sup>171</sup> Cal Advocates' Opening Brief at 56.

<sup>172</sup> San Gabriel's Opening Brief at 79.

<sup>173</sup> *Id.*

<sup>174</sup> Exhibit SG-18, Attachment B.

<sup>175</sup> *Id.*

<sup>176</sup> Cal Advocates' Opening Brief at 56.

<sup>177</sup> *Id.*

After reviewing the thirty-six photographs served by San Gabriel, the Commission agrees with Cal Advocates that the photographs of cracked asphalt do not appear to reflect conditions beyond repair or patching. In addition, San Gabriel failed to provide evidence that the cracks in the asphalt would result in damage to infrastructure. Many of the photos depict cracks on public streets used for driving or walking. We find that San Gabriel's proposal for \$2,000,000 for pavement projects is not just and reasonable, as the damage reported could be repaired or patched at a significantly lower cost than full pavement replacement.

Therefore, we find that San Gabriel's proposal for a pavement project is not just and reasonable. We deny inclusion of the pavement project.

#### **7.5. Plant B7/B24**

San Gabriel proposes that the project for Plant B7/B24 be included in the rate base.<sup>178</sup> San Gabriel states that this project includes design, permitting and related work to rehabilitate the existing air stripper at Plant B7 so that water produced at Plant B24 can be treated.<sup>179</sup> According to San Gabriel, the project also includes construction costs for the rehabilitation work, related piping, SCADA retrofits, and installation of a transmission main from Plant B24 to Plant B7.<sup>180</sup> San Gabriel contends that additional capacity is urgently needed in Zone 1 East, where this project will provide service.<sup>181</sup> According to San Gabriel, Zone 1 East is not operating at full capacity due to current limitations due to contaminated wells.<sup>182</sup> San Gabriel states that additional capacity is needed in Zone 1 East and provides a table showing current supply capacities in Zone 1 East.<sup>183</sup> In addition, at the

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<sup>178</sup> San Gabriel's Opening Brief at 107.

<sup>179</sup> San Gabriel's Opening Brief at 107.

<sup>180</sup> *Id.*

<sup>181</sup> *Id.*

<sup>182</sup> *Id.*

<sup>183</sup> Exhibit SG-25 at 11.

evidentiary hearing, San Gabriel's expert witness, Mr. Josh Swift, stated that Plant B24 would provide critical supply for periods when the large groundwater plants San Gabriel has in Plant B5 and Plant B6 are offline.<sup>184</sup>

Cal Advocates recommends that the Commission deny inclusion of Plant B7/B24 in the rate base.<sup>185</sup> Cal Advocates states that the proposed retrofits at Plant B7 would presumably remove volatile organic compounds from water produced at Plant B24.<sup>186</sup> Cal Advocates contends that the project concerns facilities in Zone 1 East where additional capacity is not needed at this time.<sup>187</sup>

Here, San Gabriel proposes that the project to rehabilitate the existing air stripper at Plant B7 be included in rate base. According to San Gabriel, the air stripper already exists but requires rehabilitation so that water produced at Plant B24 can be treated. Cal Advocates argues that the project should be denied based on the view that additional supply is not needed in Zone 1 East. However, San Gabriel submitted rebuttal testimony from Mr. Bryant Marroquin demonstrating that additional capacity is needed in Zone 1 East, and from Mr. Josh Swift, who testified that the water supply would reach a critical level when Plant B5 and Plant B6 are offline. Cal Advocates did not present a persuasive response to these testimonies.

Therefore, we find that the project at Plant B7/B24 is just and reasonable and adopt San Gabriel's proposal to include the project for Plant B7/B24 in the rate base and be consistent with the contingency factor, project management factor, and escalation rates in Section 8.

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<sup>184</sup> Reporter's Transcripts (RT) at 107-108.

<sup>185</sup> Cal Advocates' Opening Brief at 65.

<sup>186</sup> Cal Advocates' Opening Brief at 65.

<sup>187</sup> *Id.*

## 7.6. Plant F18

San Gabriel proposes \$855,000 for a project at Plant F18 to be included in the rate base.<sup>188</sup> San Gabriel states that it plans to convert Well F18A into a recharge well for storing excess Lytle Creek surface water in the Chino Basin.<sup>189</sup> According to San Gabriel, the conversion will offset future overproduction, provide significant cost savings compared to Chino Basin Replenishment rates, and improve water quality in the vicinity.<sup>190</sup> San Gabriel states that the project is not a new well but a well that was deactivated in 2002 due to elevated contamination levels.<sup>191</sup> The project would repurpose the well as an injection or replenishment well.<sup>192</sup> According to San Gabriel, the well will be used to offset the FWC's Division's higher cost of over production and replenishment.<sup>193</sup> San Gabriel contends that the project will facilitate the process of obtaining lower costs for water supplies to benefit ratepayers.<sup>194</sup>

Cal Advocates contends that San Gabriel's reason for the project at Plant F18 is not just and reasonable and that supply capacity is not supported. Cal Advocates does not expand on its argument why the project at Plant F18 is not just and reasonable. Instead, Cal Advocates cites Exhibit Cal Adv-03, which essentially states that further evaluation of impacts on production is needed to determine if there is a supply capacity issue.<sup>195</sup>

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<sup>188</sup> San Gabriel's Opening Brief at 115.

<sup>189</sup> San Gabriel's Opening Brief at 115.

<sup>190</sup> *Id.*

<sup>191</sup> *Id.*

<sup>192</sup> *Id.*

<sup>193</sup> *Id.*

<sup>194</sup> *Id.*

<sup>195</sup> Exhibit Cal Adv-03 at 6-2.

Here, San Gabriel requests authorization to reactivate an existing well to use it as an injection or replenishment well. San Gabriel contends that reactivation will help offset higher cost production and replenishment and will ultimately benefit ratepayers. We are unpersuaded by Cal Advocates' argument to deny this reactivation. San Gabriel is taking an asset that was not being used and converting it to an asset that will be useful to San Gabriel and benefit the ratepayers with lower costs. Therefore, we find that the project at F18 is just and reasonable.

Therefore, we adopt San Gabriel's request to include the project at Plant F18 in the rate base.

### **7.7. Plant F34**

San Gabriel proposes \$600,000 for a project at Plant F34 to be included in the rate base.<sup>196</sup> San Gabriel states that the project includes the rehabilitation of Well 34A and aims to restore one of the FWC Division's lowest cost sources of supply.<sup>197</sup> According to San Gabriel, the rehabilitated Well 34A will provide energy cost savings due to reduced need for boosting and take advantage of higher water levels in the Lytle Creek basin.<sup>198</sup> San Gabriel states that this well operates in the Lytle Creek Basin which is one of its lowest cost sources of supply.<sup>199</sup> San Gabriel contends that it has consistently tried to optimize its Lytle Creek sources due to their low cost of supply, plentiful water rights, and the fact that the Lytle Creek Basin comes from an elevation higher than the majority of the FWC's Division's distribution system.<sup>200</sup>

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<sup>196</sup> San Gabriel's Opening Brief at 119.

<sup>197</sup> San Gabriel's Opening Brief at 119.

<sup>198</sup> *Id.* at 120.

<sup>199</sup> *Id.*

<sup>200</sup> *Id.*

Cal Advocates contends that San Gabriel's reason for the project at Plant F18 is not just and reasonable, and that supply capacity is not supported. Like the project at Plant F18, Cal Advocates does not expand on their argument as to why the project at Plant F18 is not just and reasonable. Again, Cal Advocates cites to Exhibit Cal Adv-03, which essentially states that further evaluation of impacts on production is needed to determine if there is a supply capacity issue.<sup>201</sup>

Similar to Plant F18, San Gabriel seeks authorization to reactivate an existing well for use as an injection or replenishment well. San Gabriel contends that reactivation of the well will help offset higher cost production and replenishment activities and will ultimately benefit ratepayers. We were not persuaded by Cal Advocates' arguments for the project at Plant F18 and are not persuaded by its arguments here. San Gabriel is taking an unused asset and converting it to an asset that will be useful to San Gabriel and benefit the ratepayers with lower costs. Therefore, we find that the project at Plant F34 is just and reasonable.

Therefore, we adopt San Gabriel's request to include the project at Plant F34 in the rate base.

## **8. Global Issues**

### **8.1. Contingency Factors**

San Gabriel proposes a 10 percent contingency factor for proposed water infrastructure projects in this GRC.<sup>202</sup> Cal Advocates recommends that the Commission instead remove the 10 percent contingency factor from all projects.<sup>203</sup>

San Gabriel contends that a 10 percent contingency factor is strongly supported by multiple industry standards and online publications support an 8

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<sup>201</sup> Exhibit Cal Adv-03 at 6-2.

<sup>202</sup> San Gabriel's Opening Brief at 43.

<sup>203</sup> Cal Advocates' Opening Brief at 40.

percent to 12 percent contingency factor for well-defined projects.<sup>204</sup> San Gabriel argues that its own empirical study of completed projects validates this approach, showing an average change order amount of 10 percent across various projects.<sup>205</sup> San Gabriel contends that this real world data supports the continued use of this 10 percent contingency percentage as it has proven effective in managing project risks while maintaining reasonable budget control.<sup>206</sup>

Cal Advocates cites one decision D.24-03-042 in support of its position to disallow all proposed contingency factors.<sup>207</sup> In D.24-03-042, California Water (Cal Water) assigned each of its one thousand, one hundred and seventy proposed projects a contingency factor (10 percent or 20 percent) based on its experience developing a wide variety of plant additions to its state-wide system.<sup>208</sup> In D.24-03-042, the Commission rejected Cal Water's contingency factors where it determined that Cal Water indiscriminately applied contingency factors to projects it described as routine.<sup>209</sup>

The Commission has disallowed contingencies to motivate utilities to remain within their forecast budgets for their capital projects,<sup>210</sup> and whenever possible to "do it for less" to benefit both ratepayers and shareholders. In D.21-08-036, the Commission specially identified and disallowed, as excessive, a 35% contingency factor for a Transmission Substation Mitigation project by Southern California Edison Company (Edison). We also disallowed an excessive contingency factor in

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<sup>204</sup> San Gabriel's Opening Brief at 44.

<sup>205</sup> *Id.*

<sup>206</sup> *Id.*

<sup>207</sup> *Id.*

<sup>208</sup> *Id.*

<sup>209</sup> D.24-03-042 at 27.

<sup>210</sup> D.19-05-020 at 152.

another prior Edison GRC for a software project.<sup>211</sup> Edison was, however, allowed reasonable contingency factors on other projects in both GRCs, neither decision was a blanket disallowance of all contingency forecasts.

Here, San Gabriel has applied a blanket 10 percent contingency factor to each project on the premise that this amount will account for “known unknowns” or that an additional 10 percent is simply an inherent component of project budgeting. Rather than providing justification for each project, San Gabriel simply uses a blanket approach to requesting a 10 percent contingency factor. It is determined that a blanket 10 percent contingency factor without justification is not just and reasonable.

Therefore, we deny including the 10 percent contingency factor for all of San Gabriel’s projects.

## **8.2. Project Management Factor**

San Gabriel implemented a 4 percent for project management factor for proposed water infrastructure projects in this GRC.<sup>212</sup> Cal Advocates recommends that the Commission instead remove the 4 percent project management factor.<sup>213</sup>

San Gabriel states that the 4 percent project management factor must remain, as this is necessary for all construction work to schedule projects, provide construction management oversight, coordinate with contractors, attend pre-construction meetings, oversee daily construction progress, review project billings and inter-departmental coordination.<sup>214</sup> San Gabriel contends that the

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<sup>211</sup> D. 21-08-036 at 328, disallowed a \$14.4 million contingency on the project for the GRC cycle.

<sup>212</sup> San Gabriel’s Opening Brief at 45.

<sup>213</sup> Cal Advocates’ Opening Brief at 41.

<sup>214</sup> San Gabriel’s Opening Brief at 46.

4 percent rate is also an industry standard and a necessary part of construction budget.<sup>215</sup>

Cal Advocates contends that San Gabriel uses outside contractor costs incurred in the past five years to support its 4 percent project management factor.<sup>216</sup> According to San Gabriel's records, San Gabriel has spent 0 percent for project management in the past five years.<sup>217</sup> Cal Advocates contends that the cost adder that San Gabriel includes in its capital budgets for outside project management work is not supported by San Gabriel's past practices.<sup>218</sup>

The evidence establishes that San Gabriel has incorporated a 4 percent cost adder into its capital budget despite incurring little to no expenditures for outside project management over the past five years. San Gabriel's assertion that a 4 percent project management factor is necessary is unpersuasive, as it has historically managed its projects internally without using external project management services. Allowing San Gabriel to include an additional 4 percent cost adder would be unfair to the public, given its ability to complete projects without such a cost adder.

Therefore, we deny inclusion of the 4 percent project management factor for all of San Gabriel's projects.

### **8.3. Escalation Rates**

San Gabriel requests a 5 percent to 15 percent escalation rate in forecasting capital costs for 2026, 2027, and 2028.<sup>219</sup> Cal Advocates recommends an escalation rate of 3 percent.<sup>220</sup>

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<sup>215</sup> *Id.*

<sup>216</sup> *Id.*

<sup>217</sup> *Id.*

<sup>218</sup> *Id.*

<sup>219</sup> San Gabriel's Opening Brief at 46.

<sup>220</sup> Cal Advocates' Opening Brief at 42.

San Gabriel assigned different escalation rates ranging from 5 percent to 15 percent for thirteen different types of budget items, such as electrical, site and street improvements, booster stations, pumps, reservoirs, treatment, and more.<sup>221</sup> San Gabriel determined these different escalation rates by using data from actual bid results in a linear regression analysis.<sup>222</sup> The variation in escalation rates is based on San Gabriel's extensive construction experience and familiarity with how cost increases affect different trades and projects with varying scopes of work.<sup>223</sup>

Cal Advocates recommends a 3 percent escalation rate based on the U.S. Bureau of Labor Statistics' (BLS) current Consumer Price Index (CPI).<sup>224</sup> According to the BLS, the CPI has not exceeded 5 percent in the last 15 years, aside from a peak at around 9.1 percent during the pandemic.<sup>225</sup> The CPI in the Los Angeles metropolitan area shows a similar trend, with a current rate of 3 percent.

San Gabriel's estimates vary depending on the different types of budget items, indicating that consideration was given to the specific circumstances rather than applying a blanket request for all projects. San Gabriel's estimates consider market conditions for labor, material, and equipment, which are all relevant factors in the development of construction budgets. In contrast, Cal Advocates' sole reliance on the BLS' CPI is unpersuasive as the CPI measures expenditures on food and beverage, housing, apparel, transportation, medical care, recreation, and education. While these categories are important for evaluating

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<sup>221</sup> *Id.*

<sup>222</sup> *Id.*

<sup>223</sup> *Id.*

<sup>224</sup> *Id.*

<sup>225</sup> *Id.*

general consumer costs, they do not accurately reflect the cost structure associated with water infrastructure investments.

Therefore, we adopt San Gabriel's proposed range of 5 to 15 percent escalation rate for forecasting capital costs for 2026, 2027, and 2028. However, San Gabriel must provide supporting evidence for the escalation rates it seeks Commission authorization to apply in its next GRC. San Gabriel may create their own tool or look to existing indices such as The Handy-Whitman Index of Public Utility Construction Costs, BLS Producer Price Index, or the California Construction Cost Index, among others.<sup>226</sup>

#### **8.4. Contingency Factor, Project Management Factor, and Escalation Rates for Agreed Upon Projects**

San Gabriel and Cal Advocates agree that the following projects, discussed below, should be included in the rate base. However, they disagree on whether contingency factors, project management factors, and escalation rates should be incorporated into the projects' budgets. As discussed above in Sections 5.2, 5.3, and 5.4, we disallow the inclusion of contingency and project management factors, while permitting San Gabriel to retain its proposed escalation rates. We have reviewed the projects identified below and find them to be just and reasonable. Therefore, the budgets for these projects will be included in the rate base, excluding both the contingency allowance and project management factors. These projects include:

- Services;
- Fire Hydrants;
- Plant B14;
- Plant M12;
- Plant F7;

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<sup>226</sup> Available as of this writing at <https://www.scribd.com/document/9501599/Handy-Whitman-Index-Electrical>, <https://www.bls.gov/pPI/>, and [California Construction Cost Index: Practical Price Guide 2026 – LatestCost – Real-Time Price Insights](#). The Commission does not endorse a specific tool but provides references only for consideration as a type of resource available.

- Plant F13;
- Plant F15 and;
- Summit Plant.

### **8.5. Mains**

San Gabriel proposes \$40,000,000 for mains for LAC and \$44,000,000 for FWC Divisions.<sup>227</sup> Cal Advocates argues that the Commission instead adjust San Gabriel's estimated costs for mains to \$35,210,000 for LAC and \$38,590,000 for FWC Divisions.<sup>228</sup>

San Gabriel contends that these budgets will cover the replacement of old and deteriorating pipelines and services to reduce water loss and increase reliability.<sup>229</sup> According to San Gabriel, the projects include main replacements, system upgrades, and the installation of new mains to address system deficiencies and support new developments.<sup>230</sup>

San Gabriel argues that the Hacienda Heights Main Replacement Program (HHMRP) is necessary to develop a program to replace pipelines that are vulnerable to failure due to aging materials, outdated material types or proximity to steep slopes.<sup>231</sup> According to San Gabriel, the HHMRP will require detailed studies based on leak history, pipe material, year of installation, soil type, and proximity to steep slopes.<sup>232</sup> In addition, San Gabriel will have to conduct extensive design and permitting efforts and create the project construction schedule.<sup>233</sup>

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<sup>227</sup> San Gabriel's Opening Brief at 70.

<sup>228</sup> Cal Advocates' Opening Brief at 52.

<sup>229</sup> San Gabriel's Opening Brief at 71.

<sup>230</sup> *Id.*

<sup>231</sup> *Id.*

<sup>232</sup> *Id.*

<sup>233</sup> *Id.*

San Gabriel argues that the Hunter's Ridge Transmission Main Alignment Study (HRTMAS) is necessary to develop a plan to provide a secondary source of water for the Hunter's Ridge area in the City of Fontana.<sup>234</sup> According to San Gabriel, the new main alignment will require extensive coordination with agencies and other utilities related to the proposed design and permitting.<sup>235</sup> San Gabriel states that the timeline for HRTMAS may not be completed within the current GRC period.<sup>236</sup>

Cal Advocates recommends that the Commission adjust San Gabriel's budget to \$35,210,000 for LAC and \$38,590,000 for FWC Divisions and remove both the HHMRP and HRTMAS projects. Cal Advocates' reasons for the reductions are based on removing the contingency factor, project management factor and escalation rates.<sup>237</sup> Cal Advocates contends that the HHMRP and HRTMAS projects are in the planning stage and that the costs associated with these projects should only be included in the rate base when the projects are complete, used and useful for the GRC period which rate are being established.<sup>238</sup>

The difference in budget estimates for the forecast of mains depends on whether the Commission accepts Cal Advocates' position that the contingency factor, project management factor, and escalation rates should be removed from rate base. As discussed in Sections 5.2, 5.3, and 5.4, the Commission agrees that contingency and project management factors should be excluded from rate base, while escalation rates should remain.

Both the HHMRP and HRTMAS are in planning phases. San Gabriel admits that both the HHMRP and HRTMAS are not likely be completed in this GRC period.

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<sup>234</sup> *Id.*

<sup>235</sup> *Id.*

<sup>236</sup> *Id.*

<sup>237</sup> San Gabriel's Opening Brief at 71.

<sup>238</sup> Cal Advocates' Opening Brief at 53.

Therefore, both the HHMRP and HRTMAS will not be used and useful in this GRC period. Should HHMRP and HRTMAS become active, San Gabriel may request recovery of costs by filing a Tier 2 Advice Letter for a rate base offset.

Therefore, we partially adopt Cal Advocates' recommendation to adjust San Gabriel's mains budget to remove contingency and project management factors while retaining escalations rates and deny including HHMRP and HRTMAS' inclusion in the rate base.

**9. Construction Work in Progress (CWIP) and Interest During Construction (IDC)**

CWIP is the cost of a utility plant in the process of construction or completion, of which all or part has not yet been placed in service.<sup>239</sup>

San Gabriel's forecast for CWIP per year for 2026, 2027 and 2028 is \$34.65 million.<sup>240</sup> San Gabriel argues that the Commission has long recognized that California water utilities incur this legitimate component of their cost of service during the construction phase by adopting a policy of including CWIP in rate base or allowing them to accrue an allowance for funds used during construction (AFUDC), which reflects the utility's full cost of capital.

Cal Advocates recommends that the Commission disallow San Gabriel's request for CWIP and instead provide an IDC.<sup>241</sup> Cal Advocates contends that Commission precedent limits CWIP inclusion to instances "where the utility requesting CWIP was in severe financial distress which could not be alleviated in the absence of CWIP in rate base without materially increasing the cost of electricity to consumers."<sup>242</sup> According to Cal Advocates, San Gabriel has not shown any evidence

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<sup>239</sup> San Gabriel's Opening Brief at 47.

<sup>240</sup> Cal Advocates' Opening Brief at 43.

<sup>241</sup> *Id.*

<sup>242</sup> Cal Advocates' Opening Brief at 43. Cal Advocates fails to provide a citation to this quote.

that they are in severe financial distress, only that its return on equity was slightly lower than authorized.<sup>243</sup>

In the past, the Commission has allowed water utilities to forecast CWIP amounts to be included in the rate base.<sup>244</sup> In a memorandum to the CPUC by the Revenue Requirement Division (RRD) of the CPUC, the RRD recommended that:<sup>245</sup>

[T]he current policy of including CWIP in rate base for water utilities be continued. This should not lead the Commission to endorse a similar policy for energy and telecommunication utilities where construction time often exceeds one year.

We find Cal Advocates' argument unpersuasive. First, Cal Advocates fails to provide a citation to its quotation that the Commission limits the inclusion of amounts for CWIP to only utilities in severe financial distress. In addition, Cal Advocates disregards the May 11, 1982 memorandum and instead relies on a decision that is not directly applicable to this proceeding. The decision cited by Cal Advocates involves electricity, while the May 11, 1982 memorandum expressly excludes energy and telecommunications utilities.

Therefore, San Gabriel may forecast CWIP projects into the rate base. However, we note that recent Commission GRC decisions have varied between granting CWIP or AFUDC for water utilities. The question of whether to grant CWIP, AFUDC, or IDC is fundamentally a question of compensation for the risk a utility bears in constructing its plant. Therefore, if the Commission were to contemplate a unified approach to this issue, it would be reasonable to address this approach in a consolidated cost of capital proceeding.

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<sup>243</sup> *Id.* at 44.

<sup>244</sup> State of California Memorandum dated May 11, 1982, at 1.

<sup>245</sup> *Id.*

## 10. Depreciation Reserves

San Gabriel applies the proposed book depreciation accrual rates to the forecast average gross depreciable plant-by-plant account.<sup>246</sup> San Gabriel states that a 2023 Depreciation Study by its witness John Spanos supports its calculation and provides a description of the methods used in the estimation of depreciation, the summary of annual depreciation accrual rates, the statistical support for the service life, net salvage estimates, and the detailed tabulations of annual and accrued depreciation.<sup>247</sup> According to San Gabriel, the 2023 Depreciation Study applies an industry standard approach that employs the straight line method, the average life group procedure, and the remaining life technique at the account level.<sup>248</sup>

Cal Advocates contends that its different calculation of depreciation is based on an adjusted capital budget and is designed to minimize the impact of San Gabriel's early retirements on ratepayers.<sup>249</sup> Cal Advocates argues that San Gabriel mistakenly uses survivor curves and retirement frequency charts for meters as an example in their rebuttal.<sup>250</sup> Cal Advocates states that survival curves anticipate some items will retire before reaching their full useful life, but this does not account for San Gabriel's early retirements, where more than half of the asset's estimated life remains at retirement.<sup>251</sup> According to Cal Advocates, an asset retired with a net book value exceeding 50 percent of the original recorded cost surely can be considered extraordinary.<sup>252</sup> Cal Advocates argues that without the appropriate ratemaking adjustment, these extraordinary retirements lead to a net decrease in

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<sup>246</sup> San Gabriel's Opening Brief at 54.

<sup>247</sup> *Id.*

<sup>248</sup> *Id.*

<sup>249</sup> Cal Advocates Opening Brief at 46

<sup>250</sup> *Id.* at 47.

<sup>251</sup> *Id.*

<sup>252</sup> *Id.*

the depreciation reserve and therefore a net increase in the rate base, required revenue, and shareholder profits, which are paid by the ratepayers.<sup>253</sup> Cal Advocates recommends that the Commission adjust San Gabriel's depreciation reserve in a manner similar it took in the most recent Suburban Water Systems (Suburban) GRC<sup>254</sup>, because it will protect ratepayers from unearned shareholder profit.<sup>255</sup>

The issue posed by Cal Advocates is that despite being retired, these assets continue to earn a return due to an imbalance in the depreciation reserve caused by their early retirement.<sup>256</sup> This results in ratepayers covering the costs of assets that no longer exist or provide service.<sup>257</sup> Cal Advocates recommends using the 50 percent benchmark to define such retirements to ensure that ratepayers only pay for assets that are used and useful.

In D.24-12-030, the Commission identified 163 capital projects from 2017 to 2021 that Suburban retired with over 50 percent of their useful life remaining, amounting to a net book value of \$1,114,545.<sup>258</sup> Although these assets were no longer in operation, they continued to generate a return due to an imbalance in the depreciation reserve created by their premature retirement.<sup>259</sup> As a result, ratepayers effectively paid for assets that no longer existed or provided service.<sup>260</sup> There, we concluded that the early retirement of these assets was unfair to

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<sup>253</sup> *Id.*

<sup>254</sup> D.24-12-030 at 68.

<sup>255</sup> *Id.*

<sup>256</sup> D.24-12-030 at 68.

<sup>257</sup> *Id.*

<sup>258</sup> *Id.*

<sup>259</sup> *Id.*

<sup>260</sup> *Id.*

ratepayers, and the continued recovery of costs associated with prematurely retired assets was unjust.<sup>261</sup>

Here, we agree with Cal Advocates that assets that are retired early with over 50 percent of their useful life remaining result in ratepayers paying for an asset that no longer exists or provides service. Therefore, we adopt Cal Advocates' recommendation to adjust the depreciation reserve to reflect early retirements.

### **10.1. Meter Replacement**

San Gabriel proposes \$1,800,000 for the meter replacement project for LAC and \$2,300,000 for FWC Divisions be included in the rate base.<sup>262</sup> San Gabriel contends that the meter replacement will reduce truck rolls and water loss, improve billing accuracy and provide customers with better tools to track and reduce discretionary usage.<sup>263</sup> According to San Gabriel, meter replacements are in the public interest because they enhance customer service, lower cost over time, and fall directly within the policy goals of the Commission's Water Action Plan and "Making Conservation a California Way of Live" legislation.<sup>264</sup>

Cal Advocates recommends that the Commission adjust the Meter Replacement budget annually to \$950,000 for LAC and \$900,000 for FWC Divisions.<sup>265</sup> Cal Advocates contends that the meter replacement was approved in the last GRC, but that approval did not include reducing the timeline by 5 years.<sup>266</sup> Cal Advocates argues that San Gabriel is accelerating meter replacement and, by doing so, is essentially placing meters into early retirement.<sup>267</sup> According to

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<sup>261</sup> *Id. at 60.*

<sup>262</sup> Cal Advocates' Opening Brief at 54.

<sup>263</sup> San Gabriel's Opening Brief at 76.

<sup>264</sup> *Id.*

<sup>265</sup> *Id.*

<sup>266</sup> *Id.*

<sup>267</sup> *Id.*

Cal Advocates, placing meters into early retirement negatively impacts ratepayers.<sup>268</sup>

We agree that meters should not be replaced earlier than is necessary. The Commission previously addressed requests for accelerated meter replacement, most notably in D.23-02-003. There, we found that Liberty Utilities' Park Water failed to demonstrate why it was "cost effective or reasonable for ratepayers to fund the accelerated and premature replacement of meters."<sup>269</sup> Here, we find San Gabriel's contention that they enhance customer service and will lower costs over time to be speculative and unpersuasive.

Therefore, we find that San Gabriel's request to replace meters earlier than necessary is not just and reasonable. We adopt Cal Advocates' recommendation to adjust San Gabriel meter budget to \$950,000 for LAC and \$900,000 for FWC Divisions, which will replace meters at a slower rate and over a longer period of time. This modifies only the pace and schedule of the meter replacement program, while leaving the meter replacement program in place.

## **11. Structures, Purchases and Plants**

### **11.1. Administrative Building**

San Gabriel proposes \$38,500,000 for a new administrative building to be included in the rate base.<sup>270</sup> According to San Gabriel, the existing General Division's administrative building was originally built in 1958, with an additional portion built in 1965.<sup>271</sup> San Gabriel states that the new administrative building involves design, permitting, and construction of a new multi-story administrative building covering approximately 38,000 square feet.<sup>272</sup> San Gabriel states that the

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<sup>268</sup> *Id.*

<sup>269</sup> D.23-02-003 at 56.

<sup>270</sup> San Gabriel's Opening Brief at 87.

<sup>271</sup> San Gabriel's Opening Brief at 87.

<sup>272</sup> *Id.*

new administrative building project will be spread across different phases, including design, permitting, and construction (with certain portions allocated to the LAC Division and others allocated to the General Division based on the concurrent administrative/operational uses at the proposed facility).<sup>273</sup>

San Gabriel contends that the new administrative building is necessary to provide a modern, safe, and efficient workspace that will allow it to continue to meet its obligations to deliver safe, clean, and reliable public water service to its customers.<sup>274</sup> Furthermore, San Gabriel asserts that it studied seven distinct alternatives to determine the most cost-effective and operationally viable configuration to address the challenges of space shortage, code compliance, seismic vulnerabilities, and aging infrastructure.<sup>275</sup> San Gabriel states that after a thorough analysis, it determined that the new administrative building is the best and most viable long-term solution.<sup>276</sup>

Cal Advocates recommends that the Commission deny approval of the new administrative building.<sup>277</sup> Cal Advocates contends that the new administrative building will not be used and useful until mid-2029 and that it is premature to allow cost recovery for this project.<sup>278</sup> Cal Advocates makes several points against the new administrative building. First, Cal Advocates argues that the size and infrastructure of the new administrative building is uncertain and therefore the project completion date is uncertain. Second, Cal Advocates asserts that San Gabriel keeps changing its alternative options from four to seven. Finally, Cal Advocates disputes the cost of the new administrative building.

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<sup>273</sup> *Id.*

<sup>274</sup> *Id.* at 88.

<sup>275</sup> *Id.* at 89-90.

<sup>276</sup> *Id.* at 90.

<sup>277</sup> Cal Advocates' Opening Brief at 55.

<sup>278</sup> Cal Advocates' Opening Brief at 60.

We acknowledge that San Gabriel's existing administrative building is approximately 67 years old and may be outdated in many ways. We agree with San Gabriel that Cal Advocates' arguments against the new administrative building are unpersuasive. First, Cal Advocates supports its argument that the price for the new administrative building is not reasonable, but it relies on estimates from companies outside of California. It is common knowledge that real estate and construction costs are more expensive in California than in the rest of the country. Second, Cal Advocates claim that San Gabriel did not consider alternatives, specifically the option of purchasing another existing building is inaccurate. The evidence establishes that San Gabriel did evaluate alternative approaches and reasonably concluded that demolishing the existing administrative building and constructing a new facility on the same site was the most cost-effective solution. Finally, Cal Advocates argues that the new administrative building is oversized based on the 95 employees that are designated to the General Division. This argument is misplaced. The evidence establishes that the new administrative building will consolidate employees from multiple San Gabriel locations. San Gabriel has stated that the appropriate number of employees to be housed in the new facility is 163.

However, Cal Advocates raises a valid point regarding the timing of the new administrative building and its inability to become used and useful within the current GRC period. San Gabriel itself acknowledges that the project remains in the design and permitting phase and that construction is not expected to begin until mid-2029, near the end of this GRC period. Therefore, we determine that San Gabriel's new administrative building is not ripe for inclusion at this time, as it will not be used and useful during the present GRC period.

Therefore, we adopt Cal Advocates' recommendation to deny inclusion of a new administrative building. We do however find that San Gabriel has met its evidentiary burden for the project's need. When San Gabriel seeks to recover the costs of the build in rate base in its next GRC it must only justify the reasonableness

of the costs of the final building. San Gabriel should accumulate an Allowance for Funds Used During Construction in the project's CWIP balance for future rate base recovery.

### **11.2. Solar Project**

San Gabriel proposes \$3,500,000 for the design and installation of solar panels on the rooftop of the proposed new administrative building and nearby carports be included in the rate base.<sup>279</sup> San Gabriel contends that it is undertaking a significant solar power generating project as part of a broader effort to reduce energy consumption and meet California's green energy requirements.<sup>280</sup> San Gabriel states that by installing photovoltaic panels on both the rooftop of the new administrative building and carports in the parking lot, San Gabriel aims to generate sufficient electricity during daylight hours to power the entire facility, thereby decreasing its dependence on traditional energy sources.<sup>281</sup> According to San Gabriel, the solar project will unfold over several years, with initial planning and site assessments slated to begin in 2025.<sup>282</sup> San Gabriel believes that the project's final stage will be in 2028.<sup>283</sup>

Cal Advocates recommends that the Commission deny inclusion of this project into the rate base.<sup>284</sup> Cal Advocates contends that this project will not be completed within the GRC period.<sup>285</sup> According to Cal Advocates, this project is

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<sup>279</sup> San Gabriel's Opening Brief at 79.

<sup>280</sup> San Gabriel's Opening Brief at 79.

<sup>281</sup> *Id.*

<sup>282</sup> *Id.*

<sup>283</sup> *Id.*

<sup>284</sup> Cal Advocates' Opening Brief at 56-57.

<sup>285</sup> Cal Advocates' Opening Brief at 57.

dependent on the construction of the proposed new administrative building, which is also not likely to be completed in the GRC period.<sup>286</sup>

Although the Commission agrees that solar panels offer great benefits to San Gabriel and the public at large, the solar project being requested today is not ripe. The solar project depends on a new administrative building being approved and built. As discussed in Section 11.2, the Commission did not approve the new administrative building in this GRC period.

Therefore, we find that the solar project will not be used and useful in this GRC period and deny inclusion of the solar project.

### **11.3. ZEV Charging Stations**

San Gabriel proposes \$617,000 for eleven chargers, including a faster Level 3 charger at the LAC and \$100,000 for chargers at the FWC Divisions, to be included in the rate base.<sup>287</sup> San Gabriel contends that the ZEV project will serve both fleet and employee vehicles to significantly reduce carbon emissions and supporting state and federal sustainability initiatives.<sup>288</sup> San Gabriel states that the ZEV project is essential for San Gabriel to comply with the California Fleet Program, which mandates the transition to electric vehicles as part of the State's broader efforts to reduce carbon emissions and meet sustainability goals.<sup>289</sup> According to San Gabriel, by installing the ZEV chargers, San Gabriel will reduce its reliance on fossil fuels, lowering long-term operational costs and improving fleet management efficiency.<sup>290</sup> San Gabriel fails to explain why chargers are needed at the FWC Division.

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<sup>286</sup> *Id.*

<sup>287</sup> San Gabriel's Opening Brief at 81.

<sup>288</sup> San Gabriel's Opening Brief at 82.

<sup>289</sup> *Id.*

<sup>290</sup> *Id.*

Cal Advocates recommends that the Commission deny inclusion of the ZEV project in the rate base.<sup>291</sup> Cal Advocates contends that the ZEV project is dependent on a new administrative building.<sup>292</sup> According to Cal Advocates, a Level 3 charger for the LAC division is not necessary as most of the company's electric vehicles are driven by executives.<sup>293</sup>

Although the Commission agrees that the ZEV project offers great benefits to San Gabriel and the public at large, the ZEV project being requested today is not ripe. The ZEV project, like the solar project, depends on the approval and construction of a new administrative building. As discussed in Section 11.2, the Commission did not approve the new administrative building in this GRC period. Furthermore, San Gabriel bears the burden to show why the chargers are needed at the FWC Division. San Gabriel did not sufficiently fulfill that burden.

Therefore, we find the ZEV project will not be used and useful in this GRC period and deny including the ZEV project.

#### **11.4. Office Equipment**

San Gabriel proposes \$5,160,000 for updating office equipment be included in the rate base.<sup>294</sup> San Gabriel states that it will be upgrading office equipment to ensure efficient operations over the next four years.<sup>295</sup> San Gabriel contends that the Commission should approve this budget and the contingency factors associated with certain data processing projects within this group.<sup>296</sup>

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<sup>291</sup> Cal Advocates' Opening Brief at 57.

<sup>292</sup> Cal Advocates' Opening Brief at 57.

<sup>293</sup> *Id.*

<sup>294</sup> San Gabriel's Opening Brief at 96.

<sup>295</sup> San Gabriel's Opening Brief at 96.

<sup>296</sup> *Id.*

Cal Advocates recommends that the Commission deny the request for \$1,194,000 in office equipment costs to furnish the new administrative building.<sup>297</sup>

Similar to the solar project and the ZEV project, the office equipment project requires that a new administrative building be approved and built. As discussed in Section 11.2, the Commission did not approve the new administrative building in this GRC period.

Therefore, we find the office equipment project for the new administrative building will not be used and useful in this GRC period. We deny the inclusion of the costs for office equipment for the new administrative building. However, Cal Advocates did not oppose the remaining budget of \$3,966,000 for office equipment. Therefore, we adopt San Gabriel's proposal to include \$3,966,000 for office equipment in rate base.

#### **11.5. 2023 Water Rights Purchases**

In 2023, San Gabriel purchased two water rights: 1) \$176,855 for 8.36 AF and 2) \$6,242,709 for 228 AF.<sup>298</sup> San Gabriel contends that the two water rights are used and useful and should be included in the rate base.<sup>299</sup> San Gabriel argues that the two water rights became used and useful as soon as they were acquired.<sup>300</sup> San Gabriel states that the water is being used today for the direct benefit of San Gabriel's LAC Division customers.<sup>301</sup> San Gabriel argues that its acquisition of these two water rights ensures that at least a portion of its water supply needs are secured by water rights rather than dependent on unreliable and costly imported water supply from Northern California and the Colorado River.<sup>302</sup>

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<sup>297</sup> Cal Advocates' Opening Brief at 61.

<sup>298</sup> San Gabriel's Opening Brief at 61.

<sup>299</sup> *Id.*

<sup>300</sup> San Gabriel's Opening Brief at 61.

<sup>301</sup> *Id.*

<sup>302</sup> *Id.*

San Gabriel distinguishes its acquisition from Suburban in D.24-12-030, where the Commission found that Suburban was pumping less than its production rights.<sup>303</sup> San Gabriel contends that at no time since the MSGB adjudication in 1973 has San Gabriel ever produced less than its pumper's share<sup>304</sup> of its prescriptive water rights.<sup>305</sup>

Cal Advocates recommends that the Commission remove the two water rights because they are not cost-effective to the ratepayer.<sup>306</sup> Cal Advocates contends that the water rights purchased by San Gabriel do not demonstrate any cost savings or other benefits to ratepayers.<sup>307</sup> Cal Advocates argues that San Gabriel's cost analysis is inadequate for three reasons.<sup>308</sup> First, San Gabriel relies on a higher cost of replacement water in its analysis rather than on cyclic water<sup>309</sup> that is available.<sup>310</sup> Second, San Gabriel does not offer a reason why cyclic supply will not be available.<sup>311</sup> Finally, San Gabriel's breakeven point<sup>312</sup> for ratepayers is too far into the future to be reliable.<sup>313</sup>

Here, San Gabriel proposes to include in rate base the two water rights it acquired in 2023. There is no dispute that these water rights are active and

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<sup>303</sup> *Id.*

<sup>304</sup> Pumper share is based on the Utility's prescriptive water rights and the MSGB Watermaster's adopted OSY.

<sup>305</sup> *Id.*

<sup>306</sup> Cal Advocates' Opening Brief at 48.

<sup>307</sup> *Id.*

<sup>308</sup> *Id.*

<sup>309</sup> Pre-purchased water from other water right holders.

<sup>310</sup> *Id.*

<sup>311</sup> *Id.*

<sup>312</sup> The payback period is the time required to recover the full cost of the asset.

<sup>313</sup> *Id.* San Gabriel's breakeven point for ratepayers for water rights acquisition 1) is 14 years and for 2) is 17 years.

currently used to serve San Gabriel's customers. Therefore, the used element is satisfied.

The remaining question is whether the two water rights are useful to ratepayers. San Gabriel contends that the acquisitions provide insurance against future supply shortages and will yield long-term benefits for decades to come. However, San Gabriel admits that the benefits to rate payers will begin after the payback period.<sup>314</sup> Although we are concerned about the long repayment period for the two water rights purchases, as stated in Section 5.4, acquiring water rights enables San Gabriel to secure water at a lower cost when needed, rather than incurring higher assessment charges. This ability directly benefits rate payers, so we conclude that the water rights purchases serve the rate payers' interests.

Therefore, we find that San Gabriel's two water right purchases in 2023 are used and useful and we include San Gabriel's two water rights purchases in the rate base.

#### **11.6. Well B24C**

San Gabriel proposes \$758,384 for the project at Well B24C be included in the rate base.<sup>315</sup> San Gabriel contends that Well B24C was drilled in 2014 to provide supplemental supplies during peak summer usage and to serve as a back-up supply for Plants B5 and B6 whenever either plant is offline for maintenance or repairs.<sup>316</sup> San Gabriel states that during these periods, significant replacement supply is needed to maintain system reliability and fire protection.<sup>317</sup> San Gabriel argues that the Commission has found that plant assets providing backup roles are used and

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<sup>314</sup> San Gabriel's Reply Brief at 39.

<sup>315</sup> San Gabriel's Opening Brief at 107.

<sup>316</sup> San Gabriel's Opening Brief at 64.

<sup>317</sup> *Id.*

useful where the utility has demonstrated reasonable need for them.<sup>318</sup> San Gabriel argues that Well B24C will fulfil that backup role.<sup>319</sup>

Cal Advocates recommends that the Commission deny inclusion of Well B24C into the rate base because it is nonoperational.<sup>320</sup> According to Cal Advocates, since 2014, Well B24C has remained unpermitted and non-operational due to initial water quality samples that detected Volatile Organic Compounds (VOC) levels above the maximum contamination levels.<sup>321</sup> Cal Advocates contends that it has been 11 years since San Gabriel discovered the presence of VOC at levels above maximum contamination.<sup>322</sup> Cal Advocates states that there are too many variables for ratepayers to be burdened with highly speculative costs and unproven benefits.<sup>323</sup>

Here, Well B24C was built in 2014 but has never been permitted or placed into operational due to high VOC levels. Based on the above, we find that Well B24C is not active and there is insufficient evidence that it will become active within the current GRC period. Therefore, Well B24C does not meet the used and useful standard. If and when Well B24C becomes active, San Gabriel may request recovery of costs by filing a Tier 2 Advice Letter for a rate base offset. It would be unfair to the ratepayers to include Well B24C to rate base when it is not active and does not provide the ratepayer a benefit.

Therefore, we find that Well B24C will not be used and useful in this GRC period and adopt Cal Advocates' recommendation to deny inclusion of Well B24C into the rate base.

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<sup>318</sup> *Id.*

<sup>319</sup> *Id.*

<sup>320</sup> Cal Advocates' Opening Brief at 49.

<sup>321</sup> *Id.*

<sup>322</sup> *Id.*

<sup>323</sup> *Id.*

### 11.7. Well 1F

San Gabriel proposes \$536,233 for a project at Well 1F be included in the rate base.<sup>324</sup> San Gabriel stated that Well 1F was built in 2017 and later found to contain PFAS levels above the Notification Level.<sup>325</sup> San Gabriel contends that Well 1F will be an important component of the LAC Division's water supply mix needed to meet near and long term customer demands in Zone 1 West.<sup>326</sup> San Gabriel stated that without Well 1F and other projects, the zone will continue to operate with a significant supply deficit and be at risk of an even further deficit should any other wells need to be removed from service due to contamination.<sup>327</sup>

Cal Advocates recommends that the Commission remove Well 1F and its recorded cost from the rate base as it is non-operational.<sup>328</sup> According to Cal Advocates, San Gabriel is in the process of constructing a PFAS treatment system to bring Well 1F online.<sup>329</sup> Cal Advocates contends that although San Gabriel began construction of the PFAS treatment system in July 2025 with an expected completion date for the second quarter of 2026, completion of construction does not mean that Well 1F will be used and useful.<sup>330</sup>

Cal Advocates argues that San Gabriel must still secure the permit to operate the system from the Division of Drinking Water (DDW). According to Cal Advocates, San Gabriel has already experienced delays in this project stemming from efforts to secure permits.<sup>331</sup> Cal Advocates contends that given these uncertainties,

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<sup>324</sup> San Gabriel's Opening Brief at 66.

<sup>325</sup> San Gabriel's Opening Brief at 66.

<sup>326</sup> *Id.*

<sup>327</sup> *Id.* at 66-67.

<sup>328</sup> *Id.*

<sup>329</sup> *Id.*

<sup>330</sup> *Id.*

<sup>331</sup> *Id.*

ratepayers should not be expected to keep funding projects that San Gabriel has failed to complete for nearly a decade, especially when the timing and benefits of the proposed treatment upgrades remain unclear.<sup>332</sup>

Here, Well 1F was constructed in 2017 but has not been permitted or placed into operation due to elevated PFAS levels. San Gabriel has begun construction of a PFAS treatment system and anticipates completion by the second quarter of 2026. However, the evidence establishes that completion of the treatment system does not establish that Well 1F will become used and useful during the current GRC period, as the well must still obtain the necessary permitting from DDW.

When Well 1F becomes active and permitted, San Gabriel may request that costs be recovered through a Tier 2 Advice Letter as a rate base offset. As discussed with Well B24C, including the project at Well 1F in the rate base now would be unfair to ratepayers, as it would not provide a benefit within this GRC period.

Therefore, we find that Well 1F will not be used and useful within this GRC period and adopt Cal Advocates' recommendation to deny inclusion of Well 1F into the rate base at this time.

### **11.8. Plant 8**

San Gabriel proposes \$300,000 for pre-construction costs for a project at Plant 8 to be included in the rate base.<sup>333</sup> San Gabriel states that in 2026 and 2027, San Gabriel's engineers will undertake the design and permitting process for Plant 8, with a budget of \$150,000 allocated for each year.<sup>334</sup> According to San Gabriel, after 2027, the project will move into its next phases, with the bidding process scheduled for 2028 and construction slated for 2029.<sup>335</sup> San Gabriel explains that

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<sup>332</sup> *Id.* at 51.

<sup>333</sup> San Gabriel's Opening Brief at 99.

<sup>334</sup> San Gabriel's Opening Brief at 100.

<sup>335</sup> *Id.*

this timeline allows for comprehensive planning, securing necessary approvals, and ensuring all resources are in place before breaking ground.<sup>336</sup>

San Gabriel states that the project cost is estimated at \$10,100,000.<sup>337</sup> San Gabriel states that the budget includes the PFAS treatment system, treatment system piping, SCADA upgrades, and wet well pump and motor upgrades.<sup>338</sup> San Gabriel is requesting that \$300,000 for Plant 8 be included in the rate base for design and permitting.

Cal Advocates recommends that the Commission deny the inclusion of the pre-construction costs for the project at Plant 8 in the rate base.<sup>339</sup> Cal Advocates contends that ratepayers should not be required to fund the pre-construction costs of projects that will not be completed, nor used and useful during the current GRC period.<sup>340</sup> Cal Advocates states that San Gabriel may seek cost recovery for pre-construction activities once the project is used and useful.<sup>341</sup>

Here, San Gabriel acknowledges that the project at Plant 8 will not be completed during the current GRC period. Based on the evidence, we find that the project at Plant 8 will not be used and useful within this GRC period. Additionally, if San Gabriel completes the project, then it will be able to seek cost recovery for pre-construction activities in a Tier 2 Advice Letter when the project is used and useful.

Therefore, we deny Plant 8's inclusion in the rate base currently.

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<sup>336</sup> *Id.*

<sup>337</sup> *Id.*

<sup>338</sup> *Id.*

<sup>339</sup> Cal Advocates' Opening Brief at 63.

<sup>340</sup> *Id.*

<sup>341</sup> *Id.*

### 11.9. Plant B19

San Gabriel proposes \$300,000 for pre-construction costs for the project at Plant B19.<sup>342</sup> San Gabriel states that the Plant B19 project is a long-term initiative to upgrade and expand water infrastructure in Hacienda Heights.<sup>343</sup> San Gabriel explains that for this GRC, it is focusing on the initial phase of the project, which includes planning and preparation for future improvements.<sup>344</sup> San Gabriel states that it recently acquired residential land adjacent to the Plant B19 site.<sup>345</sup> San Gabriel contends that it will complete the required permitting work during this GRC period and present a project that is ready for construction in the next GRC application.<sup>346</sup>

Cal Advocates urges the Commission to deny the inclusion of Plant B19.<sup>347</sup> Cal Advocates' contends that ratepayers should not be required to fund the pre-construction phase of projects that will neither be complete, nor used and useful during the current GRC period.<sup>348</sup> Cal Advocates argues that San Gabriel may still seek cost recovery for pre-construction activities once the project is used and useful.

Here, San Gabriel proposes including \$300,000 in rate base for planning and preparation associated with Plant B19 while acknowledging that the Plant B19 project will not be completed during the current GRC period. Based on the evidence, we find that Plant B19 will not be used and useful within this GRC period. Additionally, if San Gabriel completes the project, it will then be able to seek cost

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<sup>342</sup> Cal Advocates' Opening Brief at 65.

<sup>343</sup> San Gabriel's Opening Brief at 106.

<sup>344</sup> *Id.* at 107.

<sup>345</sup> *Id.*

<sup>346</sup> *Id.*

<sup>347</sup> *Id.*

<sup>348</sup> *Id.*

recovery for pre-construction activities in a Tier 2 Advice Letter when the project is used and useful.

Consistent with our treatment of a similar uncompleted plant above, we deny Plant B19's inclusion in the rate base.

#### **11.10. Plant W6**

San Gabriel requests \$400,000 for the project at Plant W6.<sup>349</sup> San Gabriel states that the project at Plant W6 includes plans to design a new booster station to address the critical needs of the water system.<sup>350</sup> According to San Gabriel, the existing Plant W6 booster station has been operational for over 28 years but is equipped with outdated split-case booster pumps.<sup>351</sup> San Gabriel states that these booster pumps are inefficient and result in elevated maintenance costs.<sup>352</sup>

Cal Advocates recommends that the Commission deny inclusion of Plant W6 in the rate base.<sup>353</sup> Cal Advocates contends that ratepayers should not be required to fund the pre-construction phase of projects that will neither be complete, nor used and useful during the current GRC period.<sup>354</sup> Cal Advocates argues that San Gabriel may still seek cost recovery for pre-construction activities once the project is used and useful.

San Gabriel proposes that \$400,000 be included in the rate base for design, permitting, and preparation for Plant W6. San Gabriel acknowledges that the Plant W6 project will not be completed within this GRC period. Based on the evidence, we find that Plant W6 will not be used and useful during the current GRC period. Like Plant B19 and Plant 8, if San Gabriel completes the project, it will then be able to

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<sup>349</sup> San Gabriel's Opening Brief at 110.

<sup>350</sup> San Gabriel's Opening Brief at 109.

<sup>351</sup> *Id.*

<sup>352</sup> *Id.* at 110.

<sup>353</sup> Cal Advocates' Opening Brief at 66.

<sup>354</sup> *Id.*

seek cost recovery for pre-construction activities in a Tier 2 Advice Letter when the project is used and useful.

For the reasons discussed above, we deny Plant W6's inclusion in the rate base.

#### **11.11. Plant F59**

San Gabriel seeks authorization to include \$1,950,000 for the Plant F59 project that includes the design and construction of a new 1.0 MG water storage reservoir, along with associated site improvements.<sup>355</sup> San Gabriel contends that the improvements include grading, fencing, wall construction, and installation of necessary piping and SCADA system.<sup>356</sup> According to San Gabriel, implementing a security system is a key component of the plan and is necessary to protect the site from potential vandalism and theft.<sup>357</sup> San Gabriel states that \$400,000 of the \$1,900,000 budget is to be used for design, permitting, and related work.<sup>358</sup>

Cal Advocates asks the Commission to deny inclusion of this project in the rate base.<sup>359</sup> Cal Advocates contends that the \$1,900,000 budget is used for design, permitting, fencing, grading, and security improvement for the site of the proposed Plant F59 reservoir.<sup>360</sup>

Here, we find Cal Advocates' argument to be less than accurate. Cal Advocates lumps the pre-construction costs together with the project's costs in their argument. The evidence establishes that only \$400,000 of the \$1,900,000 budget is allocated for pre-construction and that the project will be completed in the GRC period.

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<sup>355</sup> San Gabriel's Opening Brief at 121.

<sup>356</sup> *Id.*

<sup>357</sup> *Id.*

<sup>358</sup> *Id.*

<sup>359</sup> Cal Advocates' Opening Brief at 70-71.

<sup>360</sup> *Id.*

Therefore, we find the project at Plant F59 will be used and useful in this GRC period. We adopt San Gabriel's proposal to include this project in the rate base.

## 12. Carryover Projects

Carryover projects are projects that the Commission approved in the previous GRC application but were not completed in that GRC period. San Gabriel proposes that the carryover projects at Plant 1,<sup>361</sup> Plant 7,<sup>362</sup> Plant 11,<sup>363</sup> Plant B15,<sup>364</sup> Plant F10,<sup>365</sup> Plant F20<sup>366</sup> and Plant F21<sup>367</sup> be included in the rate base. Cal Advocates contends that allowing these carryover projects into the current rate base is equivalent to requiring ratepayers to pay for these projects a second time.<sup>368</sup>

We reject Cal Advocates' contention that carryover projects that were previously approved and funded in the prior GRC would result in ratepayers paying for them a second time if we allow them to be carried over. Carryover projects that were forecasted and approved in the last GRC, and their associated revenue requirement were included in rates solely on the basis of its forecasted in service date. That funding covered no more than three years of the carryover projects' service life and does not constitute duplicative recovery. Accordingly, we find Cal Advocates' contention to be both inaccurate and without merit.

The Commission is concerned about the number of projects in the 2022 GRC that were never completed. The Commission finds that, based on the record, \$31,625,000 in approved 2022 GRC projects remain incomplete. The failure to

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<sup>361</sup> San Gabriel's Opening Brief at 96.

<sup>362</sup> *Id.* at 7.

<sup>363</sup> *Id.* at 101.

<sup>364</sup> *Id.* at 104.

<sup>365</sup> *Id.* at 111.

<sup>366</sup> *Id.* at 116.

<sup>367</sup> *Id.* at 118.

<sup>368</sup> Cal Advocates' Opening Brief at 62, 63, 64, 67 and 69.

complete these carryover projects underscores the importance of the “used and useful” doctrine, whose application safeguards ratepayers from being required to bear the costs of projects that may never be placed into service.

Here, we authorize these carryover projects in the amount consistent with the prior GRC authorization. However, we decline to permit their recovery in rates in this GRC period. Instead, San Gabriel is directed to utilize the Commission’s Industry Division’s approval process for adding previously authorized projects to the rate base once they are completed and deemed used and useful. This process ensures that carryover projects completed at a later date may be incorporated into rate base only after they satisfy the Commission’s used and useful standard.

Pursuant to General Order 96-B, Water Industry Rule 7.3.3(8), San Gabriel may submit Tier 2 Advice Letter requests for Commission approval as rate base offsets for these carry-over projects. Water Industry Rule 7.3.3(8) also provides that rate base offsets previously approved by the Commission, as is the case for these carry-over projects, will be processed as Tier 2 Advice Letters when staff verify that the scope is consistent with what the Commission approved, the Commission approval included a budget cap, and where the rate base offset is at or below the budget cap.

As San Gabriel completes these carryover projects, it should consolidate requests for rate base offset approval by submitting a single Advice Letter encompassing multiple projects to promote administrative efficiency and to reduce the number of rate requests made outside of the GRC process. This approach will also facilitate the timely incorporation of carryover projects into rate base, particularly where such projects qualify for approval through the Tier 2 Advice Letter process.

Therefore, we will treat the three-year revenue requirement for this test year as already recovered for the projects at: Plant 1, Plant 7, Plant 11, Plant B15, Plant F10, Plant F20 and Plant F21. These carryover projects will still be used and useful

for their entire operating service life and should be in rate base and included in rates in subsequent proceedings.

### **13. Balancing Accounts**

#### **13.1. Payment Options Memo Account (POMA)**

San Gabriel requests authority to transfer the balance in the POMA for the General Division to the Previously Authorized Balances Balancing Accounts (PABBA) in the LAC and FWC Divisions.<sup>369</sup> San Gabriel contends that Resolution W-5023 states “[a]ny net balance in the memorandum account established in Order Paragraph 2 above shall be reviewed in San Gabriel’s next general rate case.”<sup>370</sup> According to San Gabriel, it has presented information on the POMA in each of its GRC applications since Resolution W-5023 was adopted. San Gabriel opines that the resolution only states that the balance will be “reviewed” but does not necessarily require that the balance has to be amortized in the next GRC.<sup>371</sup> San Gabriel argues that General Order 96-B states that a utility “may not request recovery for an under collection that is over three years old.”<sup>372</sup> San Gabriel contends that GO 96-B is only applicable to balancing accounts and not the POMA which is a memorandum account.<sup>373</sup>

Cal Advocates urges the Commission to close the POMA account and have San Gabriel forfeit its balance.<sup>374</sup> Cal Advocates contends that San Gabriel failed to amortize its POMA account within three years either through a GRC or by advice letter as required by General Order (GO) 96-B and therefore forfeited its ability to

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<sup>369</sup> San Gabriel’s Opening Brief at 124.

<sup>370</sup> San Gabriel’s Opening Brief at 124.

<sup>371</sup> *Id.*

<sup>372</sup> *Id.*

<sup>373</sup> *Id.*

<sup>374</sup> Cal Advocates’ Opening Brief at 71.

recoup costs in its POMA.<sup>375</sup> In addition, Cal Advocates argues that pursuant to Resolution W-5023, approved in 2015, San Gabriel was required to amortized within three years and failed to do so.<sup>376</sup>

GO 96-B Rule 8.5 Balancing Account Amortization states:<sup>377</sup>

A Utility may not request recovery for an under-collection that is over three years old.

Here, Cal Advocates contends that San Gabriel must forfeit its remaining POMA balance pursuant to GO 96-B, Rule 8.5. We are unpersuaded by Cal Advocates' contention because GO 96-B, Rule 8.5 applies to balancing accounts, whereas the account at issue, the POMA, is a memorandum account. Accordingly, GO 96-B, Rule 8.5 does not apply. In addition, Cal Advocates has not cited any Commission decision extending the application of GO 96-B, Rule 8.5 to memorandum accounts. However, San Gabriel has not provided any reason for its failure to follow ordering paragraph 3 in Resolution W-5023 and by waiting for nearly ten years has incurred substantially more interest than it otherwise would have. We find that this interest expense was not reasonably incurred and deny recovery.

Therefore, we find San Gabriel request to transfer its POMA balance to its PABBA, less its accumulated interest expense, just and reasonable and grant San Gabriel authority to transfer the balance in the POMA for the General Division to the PABBA in the LAC and FWC Divisions.

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<sup>375</sup> Cal Advocates' Opening Brief at 71.

<sup>376</sup> *Id.*

<sup>377</sup> General Order 96-B at 8.

## 14. Rate Design

### 14.1. Tier Breakpoints and Rate Differentials

San Gabriel requests that the Commission adopt its three-tier rate design.<sup>378</sup> San Gabriel states that the Commission should approve a rate design that uses gradualism before introducing additional changes.<sup>379</sup> San Gabriel contends that Cal Advocates' tier break points are unsupported or arbitrary.<sup>380</sup> According to San Gabriel, Cal Advocates simply "plugged" a number into the Tier 3 rates to produce their target revenue requirement figure.<sup>381</sup> As provided by San Gabriel, Cal Advocates' recommended Tier 3 quantity rates shift a significant portion of fixed costs to the third tier for recovery in rates.<sup>382</sup> San Gabriel asserts that this mismatch between fixed costs and variable revenue means that it will fail to recover its full cost of service when customers reduce their water use to levels below those adopted in a GRC.<sup>383</sup> According to San Gabriel, when customers conserve and reduce their water usage to levels below those adopted in a GRC, the utility faces financial pressure to reduce or delay infrastructure improvements and maintenance, which only increases future costs unnecessarily, particularly in an inflationary environment.<sup>384</sup>

Cal Advocates asks the Commission to adopt the three-tier system but adjust the tier breakpoints.<sup>385</sup> Cal Advocates recommends setting tier break points in

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<sup>378</sup> San Gabriel's Opening Brief at 126-127.

<sup>379</sup> San Gabriel's Opening Brief at 126-127.

<sup>380</sup> *Id.*

<sup>381</sup> San Gabriel's Opening Brief at 128.

<sup>382</sup> *Id.*

<sup>383</sup> *Id.*

<sup>384</sup> *Id.*

<sup>385</sup> Cal Advocates' Opening Brief at 72.

proportion to the Standard Quantity Rate (SQR). The SQR is the cost per centum cubic feet (CCF) required to maintain revenue neutrality if the utility sells every CCF at a uniform rate, and it serves as the basis of all three tiered rates.<sup>386</sup> According to Cal Advocates, setting Tier 2 rates equal to the SQR, adopting Tier 1 rates at 10 percent below the SQR, and adopting Tier 3 rates at 61.08 percent above the SQR in (LAC) and 56.38 percent above the SQR in (FWC) will maintain revenue neutrality while promoting equitable and conservation oriented rate design.<sup>387</sup> Cal Advocates argues that the SQR is an industry standard and a transparent methodology for establishing rates.<sup>388</sup>

Cal Advocates recommends adjusting San Gabriel's tier breakpoints. After reviewing the evidence, we find that San Gabriel's proposed rate design is reasonable. We note that San Gabriel has only had its third tier since adoption of D.24-03-005, or for only nine months before this application was filed.<sup>389</sup> Since San Gabriel's customers have not had very long to grow accustomed to its three tier structure we decline to alter it further now. In addition, we find San Gabriel's argument regarding the impact of customers' conservation on the fixed cost portion of San Gabriel's revenue to be reasonable. An adopted rate design should reflect the revenue consequences of customer conservation.

Therefore, we find San Gabriel's proposed rate design and tier breakpoints to be just and reasonable. We therefore adopt San Gabriel's rate design and tier break points.

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<sup>386</sup> Cal Advocates' Opening Brief at 72-73.

<sup>387</sup> *Id.*

<sup>388</sup> *Id.* at 75.

<sup>389</sup> San Gabriel Opening Brief at 127

**15. Other Issues****15.1. Special Request  
No. 1 – Water Quality**

San Gabriel requests that the Commission issue a Finding of Fact that the LAC and FWC Divisions have operated in compliance with all applicable safe drinking water quality standards since its last GRC.<sup>390</sup> Cal Advocates agrees that San Gabriel complied with all applicable safe drinking water quality standards since the last GRC.<sup>391</sup>

As there is no disagreement between San Gabriel and Cal Advocates regarding this issue, we adopt San Gabriel Special Request No. 1.

**15.2. Special Request No. 2 – Incorporate Best Rates**

Parties agreed to incorporate any rate changes adopted after January 2, 2025, into the final decision.<sup>392</sup>

**15.3. Special Request No. 3 – Previously Authorized  
Balances Balancing Accounts (PABBA)**

San Gabriel accepted Cal Advocates' recommendation to amortize both the LAC and FWD Divisions' PABBAs.<sup>393</sup>

**15.4. Special Request No. 4 – Post Retirement Benefits  
Other Than Pensions**

San Gabriel requests authorization to create a two-way balancing account to track the difference between the amount of Post Retirement Benefits Other than Pension (PBOB) expense approved in the GRC and the amount of PBOP expense actually recorded.<sup>394</sup> According to San Gabriel, the purpose of the PBOP balancing account will be to track, separately in each division, the difference between

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<sup>390</sup> San Gabriel's Opening Brief at 131.

<sup>391</sup> Cal Advocates' Opening Brief at 76.

<sup>392</sup> Joint Statement, Attachment B at 5.

<sup>393</sup> *Id.* at 4.

<sup>394</sup> San Gabriel's Opening Brief at 125.

Commission-authorized PBOP costs included in rates and the actual PBOP costs.<sup>395</sup> San Gabriel states that because PBOP costs associated with the RHRA are highly variable, it is appropriate to authorize a two-way balancing account to track such costs and protect both customers and San Gabriel.<sup>396</sup>

Cal Advocates asks that the Commission deny this request.<sup>397</sup> Cal Advocates states that the PBOP balancing account will only track expenses related to the RHRA plan.<sup>398</sup> Cal Advocates contends that San Gabriel failed to justify retaining the RHRA plan, and therefore, there is no need for the PBOB balancing account.

As stated in Section 7.4, we adopt San Gabriel's RHRA plan. Therefore, we find San Gabriel's action of creating a PBOP Balancing Account just and reasonable. We grant San Gabriel authority to create the PBOP Balancing Account.

#### **15.5. Special Request No. 5 – Incorporating Most Recent Escalation Rates**

Parties agree to incorporate the most recent escalation and inflation rates into the final decision.<sup>399</sup>

#### **15.6. Customer Service**

San Gabriel proposes to include \$350,000 for the replacement of its phone system in the rate base.<sup>400</sup> San Gabriel states that its phone system has been in place since 2013 and lacks many advanced features that would allow it to comply with GO 103-A Telephone Performance standards.<sup>401</sup> San Gabriel contends that the replacement phone system will have: advanced call routing; artificial intelligence

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<sup>395</sup> San Gabriel's Opening Brief at 125.

<sup>396</sup> *Id.*

<sup>397</sup> Cal Advocates' Opening Brief at 72.

<sup>398</sup> Cal Advocates' Opening Brief at 72.

<sup>399</sup> Joint Statement, Attachment B at 5.

<sup>400</sup> San Gabriel's Opening Brief at 132.

<sup>401</sup> *Id.* at 133.

features; integration with its billing system; and mobile and desktop applications.<sup>402</sup> Cal Advocates does not oppose San Gabriel's proposal for a replacement phone system.<sup>403</sup>

As there is no disagreement between San Gabriel and Cal Advocates on this issue, we adopt San Gabriel's request to replace its phone system, provided it removes the contingency factors from its cost estimate.

### **15.7. Special Request No. 6 – Interim Rates**

San Gabriel initially proposed that if San Gabriel and Cal Advocates reached a settlement, the Commission should issue an interim decision allowing San Gabriel to implement interim rates at the levels reflected in the settlement agreement, subject to adjustment after a final decision was adopted.<sup>404</sup>

This proposal is denied as San Gabriel and Cal Advocates did not settle this proceeding.

### **15.8. Emergency Response Plan**

San Gabriel asks the Commission to approve their Emergency Response Plan (ERP).<sup>405</sup> According to San Gabriel, pursuant to Section 2018 of the AWIA of 2018, both the LAC and FWC Divisions have updated their Risk and Resilience Assessments (RRA) and ERP.<sup>406</sup> San Gabriel states that it updated and submitted their RRA and ERP in March 2020.<sup>407</sup> Section 2013 of the AWIA requires both the LAC and FWC Divisions to review, revise where applicable, and recertify their RRA and ERP to the EPA every five years from the original deadlines specified in the

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<sup>402</sup> *Id.*

<sup>403</sup> Cal Advocates' Opening Brief at 76-77.

<sup>404</sup> Application at 9.

<sup>405</sup> San Gabriel's Opening Brief at 134.

<sup>406</sup> *Id.* at 134.

<sup>407</sup> *Id.*

law.<sup>408</sup> San Gabriel states that it is on track to submit its next ERP certification statements by the due date, on September 30, 2025.<sup>409</sup> According to San Gabriel, its ERP meets all applicable regulations and directly responds to the LAC and FWC Divisions' readiness and specific planning to safely deliver water to customers in the aftermath of natural disasters or malevolent acts.<sup>410</sup> Furthermore, San Gabriel contends that it has an Incident Action Checklist and a list of specific mitigation actions completed or planned in the LAC or FWC Divisions for both natural disasters and malevolent acts.<sup>411</sup>

Cal Advocates recommends that the Commission require San Gabriel to revise and strengthen its ERP.<sup>412</sup> Cal Advocates contends that San Gabriel has not fulfilled the second requirement of the AWIA.<sup>413</sup> The second requirement of the AWIA states:<sup>414</sup>

...plans and procedures that can be implemented, and identification of equipment that can be utilized, in the event of a malevolent act or natural hazard that threatens the ability of the community water system to deliver safe drinking water.

Cal Advocates argues that San Gabriel failed to demonstrate that it had specific procedures in place to address plant outages resulting from a malevolent act or disaster. Cal Advocates acknowledges that San Gabriel has an Incident Action Checklist and a list of specific mitigation actions completed or planned in the LAC or FWC Divisions for both natural disasters and malevolent acts but argues that these

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<sup>408</sup> *Id.*

<sup>409</sup> *Id.*

<sup>410</sup> *Id.*

<sup>411</sup> *Id.*

<sup>412</sup> Cal Advocates' Opening Brief at 79.

<sup>413</sup> Cal Advocates' Opening Brief at 77.

<sup>414</sup> Environmental Protection Agency, AWIA Section 2013/SDWA Section 1433: Risk and Resilience Assessments and Emergency Response Plans, as of this writing available at <https://www.epa.gov/waterresilience/awia-section-2013>

are insufficient.<sup>415</sup> Cal Advocates requests that the Commission direct San Gabriel to revise and strengthen its ERP regarding its readiness and specific planning to safely deliver water to customers in the event of a natural disaster or a malevolent act.<sup>416</sup>

The evidence establishes that San Gabriel plans to submit its ERP to the EPA in September 2025, a deadline that has already passed. Because the AWIA is federal law, it is the EPA, not this Commission, that will determine whether San Gabriel's ERP satisfies applicable federal requirements.

Cal Advocates' position is also internally inconsistent. On one hand, it opposes San Gabriel's SCADA Master Plan; on the other, it acknowledges that San Gabriel faces deficiencies and vulnerabilities in its preparedness for natural disasters or malevolent acts. This inconsistency undermines the persuasiveness of Cal Advocates' argument.

Therefore, we are satisfied with San Gabriel's ERP and find that they satisfy the AWIA unless found otherwise by the EPA.

### **15.9. Environmental and Social Justice (ESJ) Action Plan**

San Gabriel contends that it complies with the Commission's Environmental and Social Justice (ESJ) Action Plan.<sup>417</sup> San Gabriel asserts that the main purpose of the ESJ Action Plan 2.0 is to set forth the goals and objectives that the Commission seeks to accomplish as an agency, rather than directly imposing those agency's goals on the regulated utilities.<sup>418</sup> San Gabriel argues that there is nothing in the ESJ Action Plan 2.0 that requires it to provide evidence in this or any other proceeding on how it is meeting every single goal set forth therein.<sup>419</sup> San Gabriel states that

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<sup>415</sup> Cal Advocates' Opening Brief at 77.

<sup>416</sup> *Id.*

<sup>417</sup> San Gabriel's Opening Brief at 137.

<sup>418</sup> San Gabriel's Opening Brief at 137.

<sup>419</sup> *Id.*

ESJ Action Plan Goal 6 relates to the Commission's enforcement efforts and that it cannot perform any of the Commission's enforcement duties.

Cal Advocates contends that San Gabriel failed to provide evidence of compliance with ESJ Action Plan Goals 6, 8, and 9.<sup>420</sup> Cal Advocates argues that the ESJ Action Plan language clearly states that the utilities have a responsibility in advancing all action plan goals.<sup>421</sup> The ESJ Action Plan states:<sup>422</sup>

The CPUC expects regulated entities to conform to the goals and principles outlined in the ESJ Action Plan.

Cal Advocates acknowledges that San Gabriel's testimony addresses the first five Goals and Goal No. 7 of the ESJ Action Plan.<sup>423</sup> Cal Advocates is dissatisfied with San Gabriel's response to Goals No. 6, 8, and 9.<sup>424</sup> According to Cal Advocates, San Gabriel acknowledges that Goals No. 6, 8 and 9 align with their current goals, but Cal Advocates contends that San Gabriel has not provided any information as to how San Gabriel intends to fulfill these goals.<sup>425</sup>

The Commission is committed to serving Californians in a way that helps address the inequities of those facing higher barriers in accessing safe and affordable utility and transportation services. On April 7, 2022, the Commission adopted the ESJ Action Plan (Version 2.0),<sup>426</sup> updating and revising nine goals in the February 2018 ESJ Action Plan (Version 1.0) to serve as a roadmap to expand public

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<sup>420</sup> Cal Advocates' Opening Brief at 79-80.

<sup>421</sup> Cal Advocates' Opening Brief at 80.

<sup>422</sup> As of this writing, the ESJ Action Plan can be found at the CPUC website: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf>

<sup>423</sup> *Id.*

<sup>424</sup> *Id.*

<sup>425</sup> *Id.*

<sup>426</sup> *See:* <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf> (As of April 21, 2025.)

inclusion in Commission decision-making and improve services to targeted communities across California. The Commission's ESJ Action Plan identifies ways the Commission can use its regulatory authority to achieve these goals.

The nine revised and updated goals in ESJ Version 2.0 include:

1. Consistently integrate equity and access considerations throughout CPUC regulatory activities;
2. Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health;
3. Strive to improve access to high-quality water, communications, and transportation services for ESJ communities;
4. Increase climate resiliency in ESJ communities;
5. Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs;
6. Enhance enforcement to ensure safety and consumer protection for all, especially for ESJ communities;
7. Promote High Road<sup>427</sup> career paths and economic opportunity for residents of ESJ communities;
8. Improve training and staff development related to environmental and social justice issues within the CPUC's jurisdiction; and
9. Monitor the CPUC's environmental and social justice efforts to evaluate how they are achieving their objectives.

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<sup>427</sup> High Road is defined in the Unemployment Insurance Code § 14005(r) as: ““high road” means a set of economic and workforce development strategies to achieve economic growth, economic equity, shared prosperity and a clean environment. The strategies include, but are not limited to, interventions that: (1) Improve job quality and job access, including for women and people from underserved and underrepresented populations. (2) Meet the skill and profitability needs of employers. (3) Meet the economic, social, and environmental needs of the community.” See: [https://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?lawCode=UIC&division=7.&title=&part=&chapter=2](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=UIC&division=7.&title=&part=&chapter=2) (Current as of April 21, 2025.)

The ESJ Action Plan is the statement of the Commission’s goals and objectives.<sup>428</sup> The ESJ Action Plan is intended to serve as a resource for Commission staff, intervenors, stakeholders, and the public.<sup>429</sup> The goals and objectives provide the broad vision and steps the Commission will take to ensure equity in its programs and services.<sup>430</sup> The action items serve as a tracking mechanism to remain transparent about the concrete actions the Commission is taking with regard to embedding ESJ principles into its work.<sup>431</sup> Based on the evidence, we find that San Gabriel has sufficiently adhered to the ESJ Action Plan to the best of its ability.

Therefore, we find that San Gabriel is in compliance with the ESJ Action Plan.

#### **15.10. Supplier Diversity**

San Gabriel contends that it complies with GO 156 supplier diversity rules. San Gabriel contends that the GO 156 supplier diversity rule is a “goal” or a target which, when achieved, indicates progress in a preferred direction.<sup>432</sup> San Gabriel argues that a goal is neither a requirement nor a quota.<sup>433</sup> According to San Gabriel, it is misleading for Cal Advocates to characterize its actions as noncompliance or that it must meet certain quotas.<sup>434</sup> San Gabriel contends that it has implemented several initiatives to strengthen its efforts to achieve the Disabled Veteran Business Enterprise (DVBE) goal by utilizing the Supplier Clearinghouse database listing of certified DVBEs.<sup>435</sup> San Gabriel states that it also attends outreach events,

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<sup>428</sup> As of this writing, the ESJ Action Plan can be found at the CPUC website: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf>

<sup>429</sup> *Id.*

<sup>430</sup> *Id.*

<sup>431</sup> *Id.*

<sup>432</sup> San Gabriel’s Opening Brief at 138

<sup>433</sup> *Id.*

<sup>434</sup> *Id.*

<sup>435</sup> *Id.*

participates in developing DVBE technical capacity, and assistance training programs with DVBEs.<sup>436</sup>

Cal Advocates contends that San Gabriel is not in compliance with GO 156. Cal Advocates contends that San Gabriel failed to meet the supplier diversity goals of GO 156 in the years 2022 through 2024.<sup>437</sup> According to Cal Advocates, the GO 156 supplier diversity rule encourages a utility to allocate at least 1.5 percent of its total annual procurement to DVBEs.<sup>438</sup> Cal Advocates states that a Commission report on utility compliance with GO 156 shows that San Gabriel allocated 1.35 percent of total procurement to DVBEs in 2022, only 0.53 percent of total procurement to DVBEs in 2023, and 1.28 percent in 2024.<sup>439</sup>

GO 156's supplier diversity requirements are:<sup>440</sup>

Each utility and other covered entity shall design and implement a program to ensure that eligible suppliers in the Commission's Supplier Diversity Program are encouraged to become eligible suppliers of products and services to the utilities and other covered entities. Nothing in GO 156 authorizes or permits a utility or other covered entity to utilize set-asides, preferences, or quotas in the administration of its program in compliance with GO 156. The utility or other covered entity retains authority to use its legitimate business judgment to select the supplier for a particular contract.

As stated above, the utility retains the discretion to exercise its legitimate business judgment in selecting the supplier for any given contract. Here, San Gabriel has utilized the Supplier Clearinghouse database to identify certified DVBEs and has also engaged in outreach activities, including participation in events and

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<sup>436</sup> *Id.*

<sup>437</sup> Cal Advocates' Opening Brief at 81.

<sup>438</sup> *Id.*

<sup>439</sup> *Id.*

<sup>440</sup> GO 156 at 11.

involvement in developing technical capacity and assistance training programs for DVBE suppliers. Based on the evidence, we find that San Gabriel has sufficiently complied with the requirements of the GO 156 supplier diversity program.

Therefore, we find that San Gabriel meets the GO 156 supplier diversity program goals.

#### **16. Summary of Public Comment**

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

The majority of comments requested that the Commission deny San Gabriel’s application to increase rates for the 2026-2028 GRC period. The remaining comments requested the Commission to perform its duties and responsibilities to protect the ratepayers.

#### **17. Procedural Matters**

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

#### **18. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge Minh LeQuang in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on June 18, 2026 by San Gabriel and Cal Advocates, and reply comments were filed on June 23, 2026 by San Gabriel and Cal Advocates.

Pursuant to Rules 14.3(c) and 14.3(d), comments are required to focus on factual, legal, or technical errors in the Proposed Decision or the comments of the

other parties with specific references to the record or applicable law. Comments that failed to do so or were attempts by the parties to reiterate litigated points were accorded no weight and not addressed. Parties provided helpful and extensive comments on a wide range of issues, and all comments were considered carefully. In response to comments, the Proposed Decision has been revised to correct errors, clarify the decision, maintain consistency and update the revenue requirement.

In their Opening Comments, San Gabriel and Cal Advocates state that the Proposed Decision errs by making inconsistent findings regarding San Gabriel's water rights purchases in Sections 5.4 and 11.5.<sup>441</sup> Since Sections 5.4 and 11.5 address the same water rights purchases, we revised Section 11.5 to ensure consistency and reaffirm our commitment to obtaining lower-cost water for rate payers when feasible.

Additionally, San Gabriel and Cal Advocates requests that the Commission revise the Proposed Decision to correct miscellaneous errors.<sup>442</sup> We reviewed San Gabriel and Cal Advocates' request and find some of the corrections reasonable. We revised the Proposed Decision to reflect these corrections.

San Gabriel requests that the Commission add ordering paragraphs to expressly implement certain outcomes discussed in the Proposed Decision.<sup>443</sup> We reviewed San Gabriel's request and approved some of the requests but denied requests that repeated a finding of fact, conclusion of law or were not supported by the Proposed Decision.

Cal Advocates assert that the Proposed Decision workpapers contain factual errors because they include the salary and benefit costs for the SCADA Electrician and SCADA Technical positions even though the Proposed Decision denied those

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<sup>441</sup> San Gabriel's Opening Comments at 2 and Cal Advocates' Opening Comments at 2.

<sup>442</sup> San Gabriel's Opening Comments at 10 and Cal Advocates' Opening Comments at 11.

<sup>443</sup> San Gabriel's Opening Comments at 9.

positions inclusion in the rate base.<sup>444</sup> We agree that this correction is reasonable and revise the Proposed Decision workpapers accordingly.

Cal Advocates requests that the Commission reject the SCADA Master Plan because the cyber security upgrade costs are not separate and independent from the broader SCADA Master Plan which we denied in the Proposed Decision.<sup>445</sup> After reviewing San Gabriel's Reply Comments,<sup>446</sup> we are not satisfied that San Gabriel will be able to provide a separate and independent budget for the cybersecurity upgrade. Therefore, we decided to revise Section 7.1 and deny the cybersecurity upgrade budget.

### **19. Assignment of Proceeding**

Darcie L. Houck is the assigned Commissioner and Minh LeQuang is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. With respect to individual uncontested issues in this proceeding, San Gabriel has made a prima facie just and reasonable showing.
2. The MSGB Watermaster's final determination for MSGB OSY for the year 2025-2026 is 160,000 AF.
3. A five-year average is used to forecast MSGB OSY.
4. A five-year MSGB OSY period provides sufficient time to account for both high and low values, producing a balanced result that fairly reflects the interests of both the utility and ratepayers.
5. San Gabriel's MSGB OSY forecast is premised on the assumption that every adverse condition will occur.

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<sup>444</sup> Cal Advocates' Opening Comments at 5.

<sup>445</sup> Cal Advocates' Opening Comments at 8.

<sup>446</sup> San Gabriel's Reply Comments at 3.

6. San Gabriel and Cal Advocates stipulated to including the Well M11A project at Plant M12 into the rate base.

7. Well M11A will use groundwater to replace the more expensive purchased water at Central Basin.

8. In 2023, San Gabriel acquired Main Basin Prescriptive water rights from Susan Andrade (8.26 AF) and William J. Knight Living Trust (227.88 AF) for a total of 236.24 AF, which increased its share to 10.61 percent.

9. Acquiring water rights enables the utility to secure water at a lower cost when needed, rather than incurring higher assessment charges.

10. The ten-year average for Lytle Creek ground and surface water production is 10,977.8 AF.

11. The five-year average for Lytle Creek ground and surface water production is 14,545.5 AF.

12. A five-year average is used to forecast Lytle Creek surface and groundwater production.

13. A five-year Lytle Creek ground and surface water production average captures both the high and low values within a recent and representative period.

14. From 2019 through 2022, the Rialto and No-Man's Land Basin forecast exceeded 5,000 AF, with only 2023 reflecting a decrease to 4,700 AF.

15. Purchasing more water from the lower-cost Rialto and No-Man's Land Basin is in the ratepayers' interest.

16. The five-year average for Rialto and No-Man's Land Basin is 5,292 AF.

17. Cal Advocates agrees that a 15 percent capital overhead rate is fair to forecast AET.

18. San Gabriel's regulatory expense is based on the assumption that future GRCs will be fully litigated.

19. Cal Advocates' regulatory expense is based on an inflation-adjusted five year average.

20. San Gabriel's conservation expense is based on new legislation continuing to increase conservation program expense.

21. Cal Advocates conservation expense is based on an inflation-adjusted five-year average.

22. San Gabriel did not provide evidence to support the need for the SCADA Master Plan.

23. The cyber security upgrade may benefit the rate payers when it becomes used and useful.

24. The Water Resources Project Manager serves as the primary representative and liaison for the management and has oversight of LAC and FWC Divisions.

25. The Water Resources Analyst is necessary to support Main and Central Basin groundwater administration including supporting documentation for operable units, providing grant application/submittal packages and administrative assistance.

26. The Water Quality Specialist will support the San Gabriel's Production and Treatment department's on-going bacteriological site sampling.

27. San Gabriel did not provide evidence to support the need for a Facilities Maintenance Supervisor and a Facilities Maintenance Superintendent.

28. San Gabriel did not provide evidence to support the need for a Facilities Maintenance Supervisor and a Facilities Maintenance Superintendent.

29. San Gabriel did not provide evidence to support the need for SCADA Technicians and Electricians.

30. The SCADA Master Plan incorporates cybersecurity systems upgrade.

31. Procurement Supervisor does the work of a Procurement Specialist.

32. The Procurement Supervisor only provides coverage when staff are absent.

33. Though San Gabriel is actively seeking the Surveyor position that has been vacant for the 2022 GRC period, San Gabriel did not provide sufficient justification for the need of this position.

34. Though San Gabriel is actively seeking to fill the Planning Manager position that has been vacant for over 20 months, San Gabriel did not provide adequate justification for the need for this position.

35. San Gabriel must compete to attract and retain qualified employees with other utility providers who provide generous post-retirement healthcare benefits.

36. San Gabriel's RHRA provides capped and predictable costs.

37. San Gabriel's RHRA is a lower cost alternative to public agencies.

38. San Gabriel provided thirty-six photographs of alleged damaged pavement but provided no evidence that the damaged pavement resulted in damage to infrastructure that was beyond repair or patching.

39. There is an existing air stripper at Plant B7.

40. The air stripper project includes a transmission main from Plant B24 to B7.

41. Zone 1 East requires additional water capacity.

42. San Gabriel proposes a blanket 10 percent contingency factor on all proposed projects in this GRC.

43. San Gabriel did not provide a justification for the 10 percent contingency factor for any specific projects in this GRC.

44. San Gabriel did not demonstrate the reasonableness of the 10 percent contingency factor for any specific projects in this GRC.

45. San Gabriel proposes a blanket 4 percent project management factor for all proposed projects in this GRC.

46. San Gabriel did not provide a justification for the 4 percent project management factor for any specific projects in this GRC.

47. San Gabriel did not demonstrate the reasonableness of the 4 percent project management factor for any specific projects in this GRC.

48. San Gabriel proposes a range of 5 percent to 15 percent escalation rates for proposed projects in this GRC.

49. San Gabriel assigned different escalation rates ranging from 5 percent to 15 percent for thirteen different types of budget items.

50. San Gabriel determined these different escalation rates by using data from actual bid results in a linear regression analysis.

51. The variation in escalation rates is based on San Gabriel's extensive construction experience.

52. San Gabriel's services' budget does not include contingency and project management factors.

53. San Gabriel's fire hydrants' budget does not include contingency and project management factors.

54. San Gabriel's budget for the project at Plant B14 does not include contingency and project management factors.

55. San Gabriel's budget for the project at Plant M12 does not include contingency and project management factors.

56. San Gabriel's budget for the project at Plant F7 does not include contingency and project management factors.

57. San Gabriel's budget for the project at Plant F13 does not include contingency and project management factors.

58. San Gabriel's budget for the project at Plant F15 does not include contingency and project management factors.

59. San Gabriel's budget for the project at Plant F59 does not include contingency and project management factors.

60. San Gabriel's budget for the project at Summit Plant does not include contingency and project management factors.

61. San Gabriel's budget for mains does not include contingency and project management factors.

62. The HHMRP and HRTMAS projects are in the planning stage.

63. The HHMRP and HRTMAS projects will not be completed in this GRC period.

64. The Commission has recognized CWIP in water GRCs since 1982.
65. Cal Advocates' calculation of depreciation is based on an adjusted capital budget.
66. Early retirements of assets lead to a net decrease in the depreciation reserve.
67. A net decrease in the depreciation reserve leads to a net increase in the rate base.
68. San Gabriel's meter replacement project was approved in the 2022 GRC.
69. The meter replacement project included a 10-year lifespan.
70. San Gabriel is accelerating the meter replacement project with a lifespan of 5 years.
71. The new administrative building project will not be completed in this GRC.
72. San Gabriel's current building is 67 years old.
73. San Gabriel considered alternatives to building a new administrative building.
74. The solar project is dependent on approval of a new administrative building project.
75. The solar project will not be completed in this GRC.
76. The ZEV charging station is dependent on approval of a new administrative building project.
77. The ZEV charging station will not be completed in this GRC.
78. The office equipment project for the new administrative building is dependent on approval of a new administrative building project.
79. The office equipment project for the new administrative building will not be completed in this GRC.
80. San Gabriel purchased two water rights in 2023.
81. The repayment period for water rights numbers 1 and 2 are 14 and 17 years, respectively.
82. Well B24C is not operational or permitted.

83. San Gabriel discovered 11 years ago that Well B24C has levels above the maximum levels of VOC.

84. Well 1F is not operational or permitted.

85. San Gabriel began construction of Well 1F 8 years ago.

86. Plant 8 is in the pre-construction phase and will not be completed in this GRC period.

87. Plant B19 is in the pre-construction phase and will not be completed in this GRC period.

88. Plant F18's well was deactivated in 2002 due to elevated contamination levels.

89. The Plant F18 project will repurpose the well as an injection or replenishment well and facilitate the process of obtaining lower costs for water supplies.

90. Plant W6 is in the pre-construction phase and will not be completed in this GRC period.

91. Plant F34's project would rehabilitate Well 34A and restore one of FWC Division's lowest cost sources of supply.

92. Well 34A operates in the Lytle Creek Basin, which is one of its lowest-cost sources of supply.

93. Plant F59's project includes pre-construction costs in its budget.

94. Plant F59's pre-construction costs are \$400,000 out of \$1,900,000.

95. Plant F59 will be completed in this GRC.

96. Carryover projects are projects that were approved in the previous GRC application but were not completed in the previous GRC period. These projects include Plants 1, 7, 11, B15, F10, F20 and F21.

97. Application of the "used and useful" doctrine ensures proper safeguards are in place to protect ratepayers from bearing costs for projects that may never be completed.

98. San Gabriel may file a Tier 2 Advice Letter for Commission approval as rate base offsets for carryover projects.
99. Resolution W-5023 allows any net balance in memorandum accounts be reviewed in San Gabriel's next GRC.
100. Resolution W-5023 does not state that the balance in memorandum accounts needs to be amortized in the next GRC.
101. GO 96-B is only applicable to balancing accounts.
102. The PBOP balancing account will track the difference between Commission-approved PBOP costs included in the rates and the actual PBOP costs.
103. The PBOP balancing account will only track expenses related to the RHRA plan.
104. The RHRA plan was approved in Section 4.4.
105. San Gabriel's rate design provides ratepayers with gradualism before introducing additional changes.
106. San Gabriel will fail to recover its full cost of service when customers reduce the amount of water they use to levels below those adopted in this GRC.
107. San Gabriel and Cal Advocates agree to a customer assistance program subsidy of \$12.00 for each division.
108. San Gabriel and Cal Advocates agree that San Gabriel has operated the LAC and FWC Divisions in compliance with all applicable safe drinking water quality standards since it last GRC.
109. San Gabriel and Cal Advocates agree to a budget of \$350,000 for a phone system replacement project.
110. Pursuant to Section 2018 of the AWIA, both the LAC and FWC Divisions updated their Risk and Resilience Assessments (RRA) and Emergency Response Plan (ERP) with the EPA in March 2020.
111. Section 2013 of the AWIA requires both the LAC and FWC Divisions to review, revise where applicable, and recertify their RRA and ERP every five years.

**Conclusions of Law**

1. Cal Advocates' forecast of MSGB OSY of 160,000 AF for the GRC period is reasonable and approved.
2. Cal Advocates' forecast of MSGB pumped water volume from leased water rights in the MSGB of 5,640.80 AF is reasonable and approved.
3. Cal Advocates' recommendation to remove San Gabriel's forecast of Central Basin water supply expenses is reasonable and approved.
4. San Gabriel's forecast of MSGB water supply mix of 10.61 percent is reasonable and approved.
5. Cal Advocates' forecast of Lytle Creek ground and surface water production of 11,266 AF is reasonable and approved.
6. Cal Advocates' forecast of forecast Rialto and No-Man's Basin groundwater production of 5,292 AF is reasonable and approved.
7. San Gabriel's position that the AET should reflect a 15 percent overhead rate applied to the actual capital budget that is adopted in this proceeding is reasonable and approved.
8. Cal Advocate's forecast of conservation program expense of \$548,920 for LAC and \$552,801 for FWC Divisions is reasonable and approved.
9. San Gabriel's proposal to include the SCADA Master Plan is unreasonable and denied.
10. San Gabriel's proposal for a Water Resources Project Manager position is reasonable and approved.
11. San Gabriel's proposal for Water Resources Analyst position is reasonable and approved.
12. San Gabriel's proposal for Water Quality Specialist position is reasonable and approved.
13. San Gabriel's proposal for the Facilities Maintenance Supervisor is unreasonable and denied.

14. San Gabriel's proposal for two SCADA Technicians and two Electricians is not reasonable and denied.

15. San Gabriel's proposal for Procurement Supervisor position is unreasonable and denied.

16. San Gabriel's proposal for the Surveyor position is unreasonable and denied.

17. San Gabriel's proposal for the Planning Manager position is unreasonable and denied.

18. San Gabriel's forecast of the RHRA budget is reasonable and approved.

19. San Gabriel's forecast of the pavement project is unreasonable and denied.

20. San Gabriel's proposal for the project for B7/B24 is reasonable and approved.

21. San Gabriel's proposal for the project at Plant F18 is reasonable and approved.

22. San Gabriel's proposal for the project at Plant F34 is reasonable and approved.

23. San Gabriel's proposal for a 10 percent contingency factor is unreasonable and denied.

24. San Gabriel's proposal for a 4 percent project management factor is unreasonable and denied.

25. San Gabriel's proposal for 5 percent to 15 percent escalation rates is reasonable and approved.

26. San Gabriel's proposal for services with escalation rates is reasonable and approved.

27. San Gabriel's proposal for fire hydrants with escalation rates is reasonable and approved.

28. San Gabriel's proposal for the project at Plant B14 with escalation rates is reasonable and approved.

29. San Gabriel's proposal for the project at Plant M12 with escalation rates is reasonable and approved.

30. San Gabriel's proposal for the project at Plant F7 with escalation rates is reasonable and approved.

31. San Gabriel's proposal for the project at Plant F13 with escalation rates is reasonable and approved.

32. San Gabriel's proposal for the project at Summit Plant with escalation rates is reasonable and approved.

33. San Gabriel's proposal for mains with escalation rates is reasonable and approved.

34. San Gabriel's proposal for HHMRP and HRTMAS does not meet the used and useful standard and is therefore denied.

35. San Gabriel proposal for CWIP in the rate base is reasonable and approved.

36. Cal Advocates' proposal to adjust the depreciation reserve to reflect early retirements is reasonable and approved.

37. Cal Advocates' recommendation to adjust San Gabriel's meter replacement budget is reasonable and approved.

38. Cal Advocates' recommendation to deny inclusion of the new administrative building because it does not satisfy the used and useful standard is reasonable and approved.

39. Cal Advocates' recommendation to deny inclusion of the solar project because it does not satisfy the used and useful standard is reasonable and approved.

40. Cal Advocates' recommendation to deny inclusion of the ZEV charging station project because it does not satisfy the used and useful standard is reasonable and approved.

41. Cal Advocates' recommendation to deny inclusion of the office equipment project because it does not satisfy the used and useful standard is reasonable and approved.

42. San Gabriel's proposal to include the two water rights purchases in 2013 meets the used and useful requirement and therefore are reasonable and approved.

43. Cal Advocates' recommendation to deny inclusion of Well B24C because it is not used and useful is reasonable and approved.

44. Cal Advocates' recommendation to deny inclusion of Well 1F because it is not used and useful is reasonable and approved.

45. Cal Advocates' recommendation to deny inclusion of Plant 8 because it is not used and useful is reasonable and approved.

46. Cal Advocates' recommendation to deny inclusion of Plant B19 because it is not used and useful is reasonable and approved.

47. Cal Advocates' recommendation to deny inclusion of Plant W6 because it is not used and useful is reasonable and approved.

48. San Gabriel's proposal to include Plant F59 with escalation rates in rate base is reasonable and approved.

49. San Gabriel's proposal to include Plant 1 is in rate base reasonable when it becomes used and useful.

50. San Gabriel's proposal to include Plant 7 in rate base is reasonable when it becomes used and useful.

51. San Gabriel's proposal to include Plant 11 in rate base is reasonable when it becomes used and useful.

52. San Gabriel's proposal to include Plant B15 in rate base is reasonable when it becomes used and useful.

53. San Gabriel's proposal to include Plant F10 in rate base is reasonable when it becomes used and useful.

54. San Gabriel's proposal to include Plant F20 in rate base is reasonable when it becomes used and useful.

55. San Gabriel's proposal to include Plant F21 in rate base is reasonable when it becomes used and useful.

56. San Gabriel's rate design and tier breakpoints are reasonable and approved.

57. San Gabriel's proposal to raise the customer assistance program subsidy to \$12.00 for each division is reasonable and approved.

58. San Gabriel's proposal that the Commission issue a Finding of Fact that the LAC and FWC Divisions have operated in compliance with all applicable safe drinking water quality standards since its last GRC is reasonable and approved.

59. San Gabriel's proposal for a phone system replacement project is reasonable and approved.

60. San Gabriel's ERP is sufficient and satisfies the AWIA, unless found otherwise by the EPA.

61. San Gabriel is in compliance with the ESJ Action Plan.

62. San Gabriel is in compliance with GO 156.

## **O R D E R**

### **IT IS ORDERED** that:

1. San Gabriel Valley Water Company is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, the Test Year 2026-2027 revenue requirement set forth in Appendices A and B, effective July 1, 2026.

2. San Gabriel Valley Water Company may implement the actions set forth in Appendix C, effective July 1, 2026.

3. Within 120 days of the issuance of this decision, San Gabriel Valley Water Company may submit Tier 1 advice letter to amortize the interim rates memorandum account established pursuant to the Administrative Law Judge's June 8, 2026, Ruling in this proceeding granting interim rates. The difference between interim rates and final rates adopted here shall be recovered in accordance with Standard Practice U-27-W.

4. For each escalation year 2027-2028 and 2028-2029, San Gabriel Valley Water Company shall submit advice letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules.

The advice letters must follow the escalation procedures set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in Decision 07-05-062 and must include supporting workpapers.

5. San Gabriel Valley Water Company shall file its next General Rate Case in accordance with the schedule set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in Decision 07-05-062 or a successor decision.

6. Application A.25-01-001 is closed.

This order is effective today.

Dated \_\_\_\_\_, at Fort Bragg, California.